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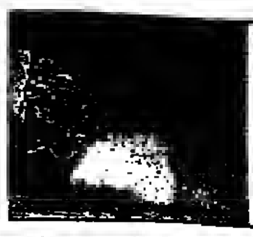


TOMORROW'S
Weekend FT
Voyage into the void

World Business Newspaper http://www.FT.com FRIDAY JULY 11 1997

Nato troops kill Bosnian war crimes suspect

Nato troops in Bosnia shot dead a former Bosnian Serb police chief charged with war crimes and seized another suspect in dramatic "snatch" operations to bring accused war criminals out of the country for trial. The operations, which involved British troops, were the first known attempt by Nato soldiers to use force to arrest suspects there. Nato leaders had been frustrated that while a war crimes tribunal had indicted more than 70 people, only a handful had appeared before it. Page 22

The European Commission agreed that Estonia and Slovenia should join Cyprus, the Czech republic, Hungary and Poland in the first wave of countries negotiating to join the European Union. Page 2; East side story and Observer, Page 21

Aid move for Alitalia: The European Commission is to approve a L2,750bn ($1.6bn) injection of state aid to struggling Italian airline Alitalia. Brussels hopes the decision will be the last in a long saga of state assistance claims by European flag carriers. Page 3

GEC and Finmeccanica agree link-up: Britain's General Electric Company and Finmeccanica, the Italian state-controlled holding company, yesterday agreed to pool elements of their defence businesses. Page 23; Lex, Page 22

ValuJet name to go: The ValuJet name, still associated in the minds of Americans with an airline disaster that killed 110 people last year, is to disappear after a decision by the company to merger with AirWays Corp, parent of the Florida-based AirTran Airways. Page 23

The Bank of England raised interest rates for the third successive month, prompting business groups to blame chancellor Gordon Brown for letting consumers off too lightly in last week's Budget. Page 7; Lex, Page 22

Libya to defy sanctions: Libya warned it would no longer abide by United Nations sanctions in force for five years, after the UN Security Council renewed an air embargo without a 15-member consensus.

Rushdie urges action against Iran:

British author Salman Rushdie (left), under an Iranian death sentence for alleged blasphemy over his book The Satanic Verses, praised Washington's hard line against Iran and urged Europeans to stand up to the regime. Amid signs of deteriorating relations between Tehran and Europe, Mr Rushdie told French politicians that Iran operates "a terrorist network ready to execute orders handed down from on high".

Morgan Stanley targets internet: Morgan Stanley, Dean Witter, Discover, the recently merged financial services group, may start a direct banking business over the internet using the Discover credit card brand name. Page 22

Isuzu, the Japanese commercial vehicle manufacturer, has been given a worldwide mandate to develop diesel engines for General Motors, the US carmaker. Page 24

US doubts on new HK laws: The US has stressed grave reservations about new laws passed by Hong Kong's post-colonial legislature and its doubts about changes to electoral rules for polls planned for next year. Page 5

Russian power chiefs sacked: Two of Russia's most powerful Soviet-era provincial electricity chiefs have been dismissed, with president Boris Yeltsin expected to point to the move as proof his administration is keeping its pledge to crack down on mismanagement. Page 3; Gazprom penalties, Page 23; Lex, Page 22

Refugee crisis for Colombia: Colombia's internal refugee problem is worsening as thousands flee their homes because of threats and killings. Nearly a million Colombians have been displaced by violence in the last 12 years. Page 6

US president Bill Clinton told thousands of cheering Poles in Warsaw that the century was ending with a "new Europe, undivided, democratic and at peace", as he congratulated Poland on being invited to start talks on joining Nato.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7857.13	(+14.79)
NASDAQ Composite	1495.18	(-1.45)
Europe and Far East		
CAC40	2929.08	(-21.47)
DAX	3862.38	(-53.48)
FTSE 100	4767.2	(+5.4)
Nikkei	19754.78	(+57.61)

■ US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.124%
Long Bond	100⅝
Yield	6.571%

■ OTHER RATES

UK: 3-mo Interbank	6⅞%	(7%)
UK: 10 yr Gilt	101⅛	(101⅛)
France: 10 yr OAT	100.44	(100.76)
Germany: 10 yr Bund	103.12	(103.36)
Japan: 10 yr JGB	104.9336	(104.8265)

■ NORTH SEA OIL (Argus)

Brent Dated	$18.09	(18.23)

■ GOLD

New York Comex	$320.2	(318.2)
London: close	$318.85	(319.45)

■ DOLLAR

New York lunchtime		
£	1.687	
DM	1.75275	
FFr	5.9251	
SFr	1.46125	
Y	113.085	
London:		
£	1.6877	(1.6855)
DM	1.7512	(1.7619)
FFr	5.9195	(5.9493)
SFr	1.4602	(1.4636)
Y	113.09	(112.75)
Tokyo close:	Y 112.75	

■ STERLING

DM	2.9555	(2.9697)

9 770174 736159 28

Waigel still confident that Germany will meet criteria for monetary union

Bonn set to raise borrowing

By Peter Norman and Ralph Atkins in Bonn

Mr Theo Waigel, Germany's finance minister, will today seek cabinet approval for sharply higher federal borrowing this year and a 1998 federal deficit that is only DM400m ($228.50m) below its constitutional ceiling.

Outlining the government's fiscal strategy to parliamentarians of Chancellor Helmut Kohl's ruling coalition yesterday, Mr Waigel said he was confident that overall public borrowing this year would not exceed the target of 3 per cent of gross domestic product specified in the 1992 Maastricht Treaty as a condition for joining European economic and monetary union. He said public borrowing would be below 3 per cent next year.

He also confirmed that DM850m would be included in next year's budget for the Eurofighter aircraft and that financing for the project had been agreed up to 2001. Mr Volker Rühe, defence minister, predicted the four-nation project would be approved by parliament in the autumn. Contracts for 180 aircraft for the German Luftwaffe would be signed soon afterwards.

Mr Waigel has been forced to put forward plans for an emergency supplementary budget this year to overcome the constitutional requirement that federal borrowing should not normally exceed spending on investment.

Declaring the economy "out of balance" because of the costs of mass unemployment, the cabinet will seek parliamentary becking for an increase in federal borrowing this year to DM71.2bn from DM53.3bn. Borrowing in 1998 will fall to DM57.8bn, slightly below the planned DM58.2bn spending on investment.

The government's plans were sharply criticised by the opposition Social Democrat party as "unsolid, constitutionally suspect, end a job killer". However, Mr Wolfgang Gerhardt, leader of the small Free Democrat party and an often fractious junior partner in Mr Kohl's coalition, welcomed Mr Waigel's decision to resist tax increases. to solve Germany's financial problems. The draft budget was "good for the taxpayer and good for the coalition," he said.

Mr Waigel has provided for a DM21bn jump in spending by the labour and social affairs ministry this year to cover the costs of 4.3m unemployed. But his plans envisage a minimal increase in federal spending next year to DM461bn from DM458.6bn in 1997. About half tha federal spending departments will reduce their cash outlays in 1998, when elections are dne in several federal states and nationally.

The government will boost privatisation proceeds to DM19.7bn next year from DM12.7bn this year, mainly by parking Deutsche Telekom shares with the Kreditanstalt für Wiederaufbau, the publicly owned development bank.

Privatisation income will not help Germany meet the Maastricht deficit criterion but Mr Waigel predicted that the country's total public deficit would be held to DM110bn this year, adhering strictly to the 3 per cent rule.

Mr Waigel's budget plans for 1998 assume that parliament will finally agree a stalled package of tax reform measures, inclnding higher business taxes and a two percentage point cut to 5.5 per cent in the much-bated "solidarity surcharge" that is added to income and corporation tax bills to help finance eastern Germany.

Waigel warning, Page 2, Editorial Comment, Page 21 Lex, Page 22

Brussels shuns Boeing plea for aid audit

By Emma Tucker in Brussels and Michael Skapinker in London

The European Commission has rejected a proposal by Boeing to appoint an independent auditor to verify that aircraft manufacturers in the US and Europe are not violating a 1992 bilateral agreement on state aid.

The rejection comes as time is running out for Boeing to come up with alterations to its planned merger with McDonnell Douglas to win regulatory approval by the competition authorities in Brussels.

Although the Commission has until July 23 to reach a final verdict, procedures inside the Commission - including a second meeting of the advisory committee and official translation of text - mean that Boeing has to act by Monday.

The Commission yesterday confirmed it had not yet received remedies that satisfy its concerns about the impact of the merger.

Boeing's proposal for an audit was aimed at overcoming Commission concerns that Boeing could use McDonnell Douglas's US defence research funding for its commercial aircraft programme.

The company is believed to have made its proposal to both the US government and to the Commission. At present, the Commission and the US government are required merely to confirm that the provisions of the 1992 agreement have been complied with.

Officials from the EU and the US meet in Brussels today to review the 1992 agreement, which limits government aid to aircraft makers.

Failure by Boeing to act this weekend could result in the deal being banned altogether in the European Union. An EU advisory committee last week recommended that the merger should not be allowed to go ahead unless it was substantially changed.

A deal could emerge in the form of a package of alterations. But the Commission has two worries apart from the subsidies issue. The first concerns the 20-year exclusive sales contracts Boeing has concluded with Delta, American and Continental Airlines. Boeing has already indicated that it is prepared to shorten or modify these.

A further Commission objection is that an enlarged Boeing

Continued on Page 22

Philippine foreign minister Domingo Siazon at the meeting of Asean ministers yesterday where Cambodia's entry to the group was postponed. Report page 22 AP

Eurotunnel on course for rescue plan to be approved

By Andrew Jack in Paris

Eurotunnel last night appeared to have won strong shareholder approval for its £8.5bn ($14.4bn) financial restructuring plan, clearing the way for an agreement between the company and its creditor banks this year.

The vote came at the end of a lengthy extraordinary general meeting in Paris yesterday afternoon. The meeting was punctuated by frequent beckling from the more disillusioned of the 2,500 investors at tbe Porte Maillot conference centre.

Nearly 30 per cent of the capital of the company was represented at the meeting, comfortably more than the 25 per cent necessary for a quorum.

The result vindicated Eurotunnel's efforts over the past few weeks to rally investors' support for the restructuring deal. These included several warnings from Mr Patrick Ponsolle, its chairman, that be might resign if it did not go through.

The Association of Eurotunnel Shareholders switched views and supported the plan last week after the French and British governments agreed to extend the company's operating concession for the Channel tunnel rail link for at least 34 years beyond the present expiry date of 2052.

Northern Cross Investments, a Bermuda-based fund with 37m shares, which had said it would vote against, also changed its views after a meeting with Mr Ponsolle last month.

Only Adacte, a more extreme group of investors, maintained its opposition to the deal yesterday, saying the creditor banks had not taken a sufficient write-down on their debt and the best solution for shareholders was to place the company under the control of the French insolvency courts.

Mr Ponsolle stressed that such a procedure was likely to destroy the residual value of the company's shares. He said

Continued on Page 22
Shareholders at EGM, Page 26

Thai devaluation wipes out Siam Cement profits

By William Barnes in Bangkok

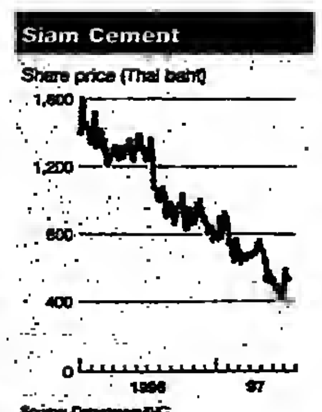
Siam Cement, Thailand'a biggest industrial conglomerate, said yesterday that this year'a profits would be wiped out by what is expected to be the largest non-bank foreign exchange loss after the flotation of the baht on July 2.

The company said it would take a loss of Bt7.5bn ($258.6m) on US$4bn in foreign currency loans if the baht stayed at Bt29 to the dollar, near where it ended yesterday on the offshore market. This would be more than enough to eliminate consolidated net profits equivalent to last year's Bt6.8bn.

By taking the entire loss this year, Siam Cement set an uncomfortable precedent for other Thai companies that have been thinking of spreading their devaluation losses over several years.

Mr Chumpol NaLamlieng, Siam Cement president, said the borrowings were entirely unhedged despite the widespread speculation of a devaluation: "There is no long-term baht market, so we have to

Siam Cement



Source: Datastream/ICV

borrow abroad and it is far too expensive to use short-term hedges for our long-term borrowings... We were dead whatever we did, I guess."

Mr Chumpol stressed that the diversified group, active in ceramics, steel, paper and petrochemicals,generated a strong cash flow which meant it could cover its obligations easily without having to raise fresh capital.

"When the economy slows down we throttle back on our investment plans and the cash actually starts to pile up ... so were probably more fortunate than some other companies," he said.

Thai-based companies are believed to have a total foreign exchange exposure near $70bn – much of it unhedged.

The finance ministry has yet to declare how companies should deal with their foreign exchange losses. Mr Sanyalaksna Manibhandu, an analyst at ING Barings, said Siam Cement had set a precedent: "There will be strong pressure on others to follow. There has already been a growing sentiment that 1997 should be considered 'year zero' anyway."

Much will depend on where the baht settles: Siam Cement's foreign exchange losses range from Bt2.7bn at Bt27 to the dollar to Bt9.9bn at Bt30. The baht was near Bt26 to the dollar before the Bank of Thailand last week cut the 13-year-old link to a dollar-dominated currencies basket.

Ailing Thai groups, Page 5

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Bonn budget talks caught in a loop

Waigel will warn today the budget deficit has overshot by DM18bn – the German cabinet has seen it all before, writes Peter Norman

When the Bonn cabinet meets today to approve the draft federal budget for next year and a special revised budget for 1997, its members may bave a powerful sense of déjà vu.

For the second time in six months, Mr Theo Waigel, the finance minister, will tell of an annual deficit that has exceeded its target by about DM18bn ($10.2bn).

But today's admission that Bonn has been unable to keep its 1997 deficit under control will stand out for coming in the middle of the financial year. The scale of the 1996 deficit oversboot was not acknowledged until January this year when the government reported last year's new borrowing of DM78.3bn was DM18.4bn more tban previously approved.

The rapid deterioration of federal finances this year is forcing the government to seek parliamentary support for a declaration tbat tbe German economy is "out of balance" because of high unamployment. That will enable the government to circumvent the constitutional requirement that net federal borrowing must not exceed the DM59.1bn due to be spent on investment in 1997. Mr Waigel's plans for a supplementary budget envisage new borrowing of DM71.2bn in 1997, eome DM17.9bn more than the DM53.3bn voted last year.

The legislation will be contentious even tbough Mr Helmut Kohl, the chancellor, can count on the support of coalition MPs in the Bundestag, the lower bouse of parliament, and does not need approval from the Bundesrat, tbe second cbamber dominated by states controlled by tbe opposition Social Democrats.

SPD leaders in the Bundestag intend to launcb a case in the constitutional court to declare last year'a federal hudget illegal because of excess borrowing.

Mr Waigel's main problems in managing the federal budgets for last year, this year and 1998 have been a shortfall in tax revenues and sharply higher than expected costs of mass unemployment. The supplementary budget for this year will add DM21bn to the already swollen expenditure of the labour and social affairs ministry to reflect an official joblesa total that is now expected to average 4.3m, compared with the 3.95m forecast when the 1997 budget was approved by parliament late last year.

Overall federal spending this year is now expected to be DM458.6bn, DM18.7bn more than agreed in late 1996. Instead of a 2.5 per cent drop in outlays compared with 1996, tbere will be a slight increase.

For 1998, Mr Waigel anticipates that unemployment will fall to around 4.2m, allowing a slight drop in the labour and social affairs bndget from DM149bn to DM147bn. Such optimism may be justified given government expectations of 2.5 per cent real economic growth this year and 2.75 per cent in 1998.

But Mr Waigel will be in trouble should unemployment be higher than expected. The 1998 draft budget anticipates net federal borrowing of DM57.8bn, perilously close to the constitutional limit of DM58.2bn set by planned investment spending next year.

However, tbe 1998 draft budget also prescribes strict control over federal expenditure, whicb is set to rise by just 0.5 per cent to DM461bn. Twelve government departments are due to see spending drop in nominal terms while the closure of the post and telecoms ministry will save DM344m.

Mr Waigel will tell of plans to cut DM400m from coal subsidies and save funds by delaying the redemption of federal railway deht. But these pale into insignificance against the continued high cost of eastern Germany, which can expect a net transfer of DM90bn of federal resources next year.

The most significant budget increases next year will come in servicing the federal debt, paying civil service pensions and paying for the government's planned move from Bonn to Berlin. The controveralal Eurofighter project is included in the DM46.7bn defence hndget with DM850m earmarked for pre-production investments in 1998 and about DM1bn in following years.

Both the revised 1997 and 1998 budgets rely on sharply higher privatisation proceeds. The placing of Deutsche Telekom shares with the state-owned Kreditanstalt für Wiederaufbau will realise DM10bn this year and DM15bn in 1998. Other sales, including part of the strategic oil reserve and government properties as well as the sale next year of Postbank, the postal eevings bank, are due to lift privatisation proceeds to DM12.7bn this year and DM19.7bn in 1998.

Privatisation proceeds have been erratic in the past. But far greater riska lurk on the revenue side of the 1998 budget and those in subsequent years.

Next year's budget assumes approval of plans to reform Germany's income and corporate tax systems from 1998. However, these heve become blocked because of differences between the two houses of parliament.

The parliamentary conciliation committee met yesterday to begin attempts to end the impasse, but could agree only to eet up working groups to look at the problems. A partial tax reform is the most that politicians in Bonn now expect, in which case Mr Waigel will have to draft new revenue plans for 1998 and later years.

Germany: financial plan (DMbn)

	1997*	1998+	1999‡	2000‡	2001‡
Spending	458.6	461.0	462.5	[illegible]	[illegible]
Of which: Investment	59.1	58.2	58.7	[illegible]	[illegible]
Tax revenues	338.7	347.6	372.5	[illegible]	[illegible]
Other revenues	50.8	55.6	32.2	31.3	31.1
Of which: Bundesbank profit	7.0	7.0	7.0	7.0	7.0
Privatisation	12.7	19.7	0.0	0.0	0.0
Net borrowing	71.2	57.8	[illegible]	[illegible]	[illegible]

* Revised 1997 budget + draft 1998 budget ‡ medium term financial plan Source: Finance Ministry

Dax rise masks economic fears, says Tietmeyer

By Andrew Fisher in Aschau

Mr Hans Tietmeyer, president of the Bundesbank, warned yesterday that the strong export performance of big German companies and the surge in share prices shonld not distract attention from the need to comhat structural prohlems in the economy.

"The Dax [the stock exchange's index of 30 hlue chips] does not represent the whole German economy," he said. This year it has risen some 40 per cent.

He said German companies' export snccesses reflected currency shifts, with the D-Mark's previous strength against the dollar having been reversed, as well as their own restructuring efforts.

"The real question is how the country is attacking its structural prohlems," he added at a press conference after the central bank's council meeting in Bavaria, held once a year outside Frankfurt. These included a high level of bureancracy, labour market rigidities, and high taxes and labour costs.

He said the prospects for planned reforms needed to be clarified quickly to give companiea confidence to invest and thus help job creation.

His comments were made as parliament's arbitration committee met to try to unblock the stalemate over the government's tax reform proposals which have been held up hy the opposition.

Commenting on the rise of the dollar – now around DM1.76 – Mr Tietmeyer hinted be thought this had gone far enough.

"It is important for us that the D-Mark remains a strong currency and goes into the euro as a strong currency," he said.

Germany: federal spending plans (DMbn)

Revised 1997 budget and 1998 draft

	1997	1998	% chg
Total	458.6	461.0	+0.5
Labour and social affairs	149.1	147.1	-1.3
Debt service	85.4	87.4	+2.3
Defence	46.3	46.7	+0.8
Transport	44.1	43.2	-2.1
General administration	19.5	21.2	+8.4
Federal pensions	15.9	16.3	+2.8
Economics (largely subsidies)	16.6	16.1	-3.2
Research, Science, Education	14.8	14.9	+0.8
Families, aged, women and youth	12.0	11.7	-2.7
Agriculture	11.8	11.6	-1.8
Building and cities	10.7	11.4	+6.2
Finance	7.9	[illegible]	[illegible]
Interior	8.6	8.8	+1.8
Development aid	7.7	7.6	[illegible]

* minus special payment to BVS eastern German privatisation agency.
Source: Finance Ministry

German exports set for 6.5% rise

By Ralph Atkins in Bonn

German exports are expected to grow hy about 6.5 per cent this year, after 4.6 per cent in 1996, according to a survey publisbed hy the German chambers of industry and commerce (DIHT) yesterday.

Exports have been powering Germany's modest economic recovery, helped hy a weaker D-Mark and favourahle economic conditions in export markets, including elsewhere in Europe.

Export growth is expected to be particularly strong in North American markets, where a 8.5 per cent increase is forecast for this year, bnt also in Latin America and Asia with projected increases of 7 per cent and 9 per cent respectively.

Import growth has also accelerated, the DIHT said, reflecting the pick-up in the German economy. A growth rate of 4.6 per cent is expected this year, compared with 3.1 per cent in 1996.

The DIHT warns against exaggerating the strength of German exports, pointing out that price competitiveness depends largely on domestic factors. High non-wage labour costs continne to increase the cost of production in Germany, it declared.

Mr Franz Schoser, DIHT director, anggested there was a link hetween the development hy German companies of overseas markets and subseqnent ontsourcing of services abroad.

EU enlargement takes in five eastern states

By Lionel Barber in Brussels

After a week of high-level wrangling, the European Commission last night agreed that Estonia and Slovenia sbould join Cyprus, the Czech Republic, Hungary and Poland in the first wave of countries negotiating to join the European Union.

The decision to expand the sbort-list beyond the Czechs, Hungarians and Poles and include one Baltic state and a former Yugoslav republic is a victory for Mr Hans van den Broek, the Dutch commissioner responsible for enlargement.

The Commission's verdict will disappoint Bulgaria, Romania, Slovakia, Latvie and Lithuania, but their applications to join the EU will be subject to an annual review.

Officials said there were still difficulties in reaching a common line on how to deal with Turkey, whose application for membership is in limbo. Mr van den Broek favoured Turkey's inclusion in a pan-European conference on enlargement which would also include all 10 central and eastern European applicants.

But Mr Jacques Santer, president of tbe European Commission, ecboing fellow Christian Democrat leaders led by Chancellor Helmut Kohl of Germany and Prime Minister Jean-Claude Juncker of Luxembourg, raised objections to Turkey's inclusion in the conference.

Mr Santer's objections reflect earlier warnings from tbe Christian Democrats tbat Turkey has no realistic chance of becoming a member of the Union because of its aize, human rights record, and its Islamic culture.

Mr van den Broek carried the day for Estonia and Slovenia after interventions from Sir Leon Brittan, the trade commissioner, and Mr Martin Bangemann, the industry commissioner.

Each argued that the two countries were ready to open eccession negotiations based on an objective assessment of their economic performance and that to act otherwise would amount to political discrimination.

Mr Santer appeared earlier to lean in favour of restricting the first wave to the Czech Republic, Hungary, Poland, and Cyprus which has already received a favourable opinion.

Mr Santer's caution on the size of the first enlargement wave stems partly from the inconclusive EU summit in Amsterdam last month. EU leaders failed to agree on the institutional reform necessary to cope with an enlargement of the present 15-member Union.

The Amsterdam summit stipulates that the EU must undergo a profound shake-up in institutions once it expands beyond 20 countries. However, Mr Santer and Mr van den Broek agreed yesterday that making a commitment to six countries does not necessarily trigger a fresh IGC.

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Growth slows in E Europe

By Kevin Done, East Europe Correspondent

The pace of economic growth in east Europe (excluding the former Soviet Union) is forecast to fall for e second year in succession in 1997 under the impact of growing halance of payments problems.

For the first time since the collapse of communism there will be positive growth of around 1.4 per cent in east Europe and the former Soviet Union as a whole, however, aupported hy the expected bottoming out of the Rusaian recession and strong recovery in many of the states of central Asia and the Transcaucasus.

Growth is slowing in particular in the Czech Republic and Slovakia and has halted in Romania as a result of this year's tougb austerity package.

According to a report by the Economist Intelligence Unit, the rate of economic growtb in east Europe (excluding former Soviet Union) will slow to 3.2 per cent from 3.7 per cent last year and 5.4 per cent in 1995.

Growth in gross domestic product in Slovakia is forecast to fall to 4 per cent from 6.9 per cent in 1996 and to slow in the Czech Republic to 3 per cent from 4.4 per cent in 1996.

Tbe Czecb Republic bas euffered the most notable setback in the region, with a surging foreign trade deficit and rapid growth in wages outpacing growth in labour productivity. Year-on-year industrial production fell by 2.7 per cent.

The troubled Bulgarian economy, which saw a 10.9 per cent GDP fall last year, is expected to contract by a further 3 per cent this year, while the EIU forecasts zero growth in Romania following GDP rises of 4.1 per cent last year and 7.1 in 1995.

The Polisb economy, the strongest in the region, ehows no sign yet of significant slowing down, with a first-quarter GDP growth of 7.5 per cent compared with 5 per cent in the corresponding period of 1996.

Poland remains the only country in the region to have regained 1989 ontput levels, which it will have surpassed by about 10 per cent by the end of this year. The EIU forecasts growth of 5.4 per cent in Poland this year, compared with 6.0 per cent in 1996.

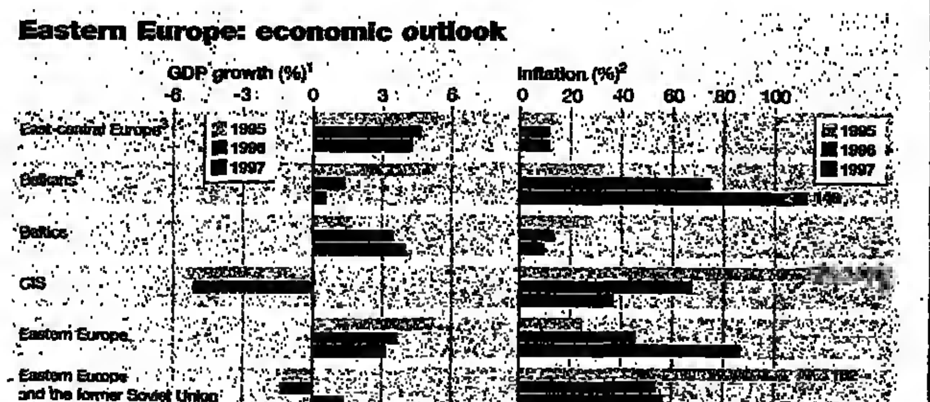
Slovenia is the only other country which is likely to be close to reaching 1989 output levels this year, with forecast growth of 4.1 per cent, up from 3.5 per cent in 1996.

The clearest eign of improvement is in Hungary, where growth is expected to recover to 2.8 per cent this year from 0.5 per cent in 1996 and 1.5 per cent in 1995.

The EIU report forecasts zero growth in Russia this year compared with declines of 6 per cent last year and 4 per cent in 1995.

Economies in Transition, second quarter 1997. Price: £195/$395. From Economist Intelligence Unit, 15 Regent Street, London, SW1Y 4LR.

Eastern Europe: economic outlook



[1]Regional averages weighted on the basis of GDP at purchasing power parties [2]Regional totals unweighted averages
[3]Hungary, Poland, Czech Republic, Slovakia, Slovenia [4]Albania, Bulgaria, Romania, Croatia, Macedonia, Yugoslavia
Source: EIU

EU law implementation patchy

By Sander Thoenes in Brussels

France, Italy and Belgium were the worst repeat offenders in failing to implement European Union law in 1996 and compliance is still poor across the board, according to a new European Commission report.

The European Commission's annual infringement report for 1996, which has yet to be made public, indicates the Commission launched 1,142 new investigations, compared with 1,016 in 1995, into failures by member states to adjust national legislation to meet EU regulations.

The report highlights the poor implementation of EU legislation, which hinders attempts to create a genuine single market for goods and services. As it lists only the infringements that get reported, the problem could be much more serious than the report suggests.

Aside from new members Austria, Finland and Sweden, yet to adjust to all EU legislation, the worst offenders in 1996 were France, Italy and Belgium, with more than 70 investigations each. Member states usually mend their ways after an initial warning and the European Court of Justice can fine members if they fail to do so.

Most infringements concern environmental law and directives to guarantee free movement of goods and services.

Most members faced fewer investigations tban before, but Commission experts note that the apparent improvement could simply reflect a drop in new EU legislation in recent years.

And those are only the offenders which were caught. Dutch officials recently traced 368 Dutch edicts, just on technical standards alone, which had not been reported to Brussels and might therefore be invalid.

"If thay looked to other sectors, they'd probahly find a lot more that is inconsistent with community legislation," said Mr Keith Hendry, partner in Brussels with Clifford Chance, the British law firm. "The extent of this is pretty big. As Community citizens, tha Dutch are about the best. Many member states fail to implement, or implement incorrectly, community law. I would not be surprised if all member states have such time bombs ticking in the closet."

Mr Hendry said that European Court of Justice rulings last year had strengthened the case of companies suing their governments for damage caused by national regulations which break EU law.

A French heer producer has successfully sued the German government for imposing quality standards in breach of European regulation; Spanish fishers defended their right to carry a British flag and fish in British waters, thus evading Spanish fish quotas.

Mr Mario Monti, the EU'e single market commissioner, has threatened to shame member states into complying with single market rules by publicising infringements. One Commission spokesman said that a wider use of fines for non-compliance with environmental law had already helped.

EUROPEAN NEWS DIGEST

Emi opts for Swift system

Bankers breathed a sigh of relief yesterday when the European Monetary Institute, forerunner of the planned European Central Bank, agreed to use the Swift financial network to run its Target system for payments in euros.

The Swift network is already used by more than 5,800 banks around the world, including all the EU central banks. Payments experts said the decision was likely to ensure that Target would be up and running in time for the start of planned monetary union, now less than 18 months away. The decision will also mean that the cost per payment on Target should be cheaper, meaning banks may now use it for more of their payments needs.

Swift, or the Society for Worldwide Interbank Financial Telecommunication, is a bank-owned co-operative which supplies a secure message service to banks around the world, carrying payment messages worth more than $2,000bn e day. The alternative to using Swift would have been for the Emi to build its own network linking European central banks, which private sector bankers feared would carry unacceptable risks of delay or failure.

The Target system is expected to be used for high value payments which need to be credited instantly. Alternative payments methods, such as the Ecu Banking Association's new clearing system, will handle high-volume lower value payments. *George Graham, London*

New designs for euro notes

Modified designs for the European Union's planned euro banknotes, which feature hridges, gates and windows hut avoid any reference to existing structures, were unveiled yesterday by the European Monetary Institute. The original designs had caused some embarrassment for the Emi because they appeared to be based on actual structures. This was against the spirit of the euro, since the banknotes were not supposed to refer to particular national symbols.

The Emi said yesterday the designs would now form the basis of further technical work which would enahle the central bank to introduce the euro banknotes by January 1 2002 at the latest. *Graham Bowley, Frankfurt*

Ex-intelligence chief jailed

A former intelligence chief at the centre of Spain's murky "dirty war" scandal was yesterday sentenced hy a military court to seven years in jail for stealing 1,200 secret documents.

Colonel Juan Alberto Perote, who had previously been sacked as head of operations at the Cesid intelligence service, was arrested in 1995 after a newspaper published excerpts from documents referring to illegal actions against Basque activists based in southwest France. He was also involved in a scandal the same year over electronic eavesdropping on politicians and other personalities, among them King Juan Carlos. That scandal provoked the resignation of the head of Cesid and two senior ministers in the then Socialist government.

Col Perote insisted during his trial that Mr Felipe González, the former Socialist prime minister, knew about covert death squads operating against Eta, the Basque terrorist organisation, but did nothing to stop them. *David White, Madrid*

Chechen minister quits post

Mr Shamil Basayev, Chechnya's best known separatist fighter, yesterday resigned from his post as deputy prime minister of the separatist region. Mr Basayev, who hecame a national hero in Chechnya and puhlic enemy number one in Moscow in 1995 when he staged a hostage raid in southern Russia, gave no reasons for his departure.

Over the past few weeks, Chechnya has been awash with rumours that Mr Basayev, who was in charge of industrial development, was the on verge of leaving the administration of Mr Aslan Maskhadov, the Chechen president. But both men denied they had fallen out. One of Mr Basayev's close allies who had headed the national security service, also resigned.

The departures come as Chechnya's tentative efforts to rebuild after two years of war have been shaken by a number of kidnappings. *Chrystia Freeland, Moscow*

Finance job filled in Serbia

The Serbian parliament yesterday elected Mr Borislav Milacic as finance minister, the state news agency Tanjug reported. Mr Milacic, a member of the Yugoslav Left party, replaces Mr Dusan Vlatkovic, who has been elected governor of the Netional Bank of Yugoslavia.

Proposing Mr Milacic for the post, Mr Mirko Marjanovic, Serbian prime minister, described him as an economist with vast experience and an expert in finance and banking. Mr Milacic, 44, is at present general manager of the private architectural design and construction firm Koling. *Reuter, Belgrade*

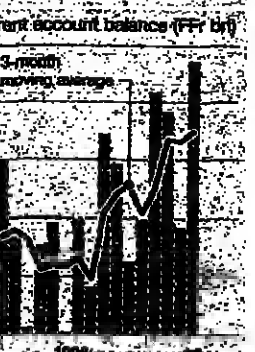
Hungary to seek power bids

Hungary is to tovite tenders in the next two weeks for some 2,000MW of new private power-generating capacity which will require investment of $2.5bn. Mr Istvan Bakacs, development manager of the state electricity company MVM, said yesterday the new stations would be commissioned in two periods between 2001 and 2006.

MVM is keen to diversify suppliers, and expects strong international competition, particularly from US companies. About 60 per cent of Hungary's 7,500MW capacity is under private control, inclnding the two US generators AES and El Paso. *Kester Eddy, Budapest*

ECONOMIC WATCH

Current account takes off



France's current account surplus soared to a seasonally adjusted FFr23.8bn ($4hn) in April, from FFr9.37bn in March, its highest level since the economics ministry started recording data in 1946. In the first four months of the year, the gross cumulative surplus amounted to FFr79.3bn, more than double last year's figure of FFr37.6bn. During the period, exports were 9.4 per cent higher than in the first four months of 1996, helped by a pick-up in economic activity in other European countries and the US, and by the favourable effect of the dollar'a rise on French competitiveness. The capital account also showed some improvement at FFr4bn, up from FFr2.8bn in 1996. However, foreign direct investment showed a FFr5bn deficit in April, with both outflows of French capital and inflows from abroad slowing. *Samer Iskandar, Paris*

■ Dutch industrial output rose 4.1 per cent in May from a year earlier. Producer prices were up 0.8 per cent in May from April and 2.7 per cent from a year earlier.

■ Norwegian consumer prices rose 0.3 per cent in Juna from May and were up 2.9 per cent year-on-year.

■ The Belgium and Luxembourg economic union's trade surplus rose to April to BFr36.7bn ($1hn), from BFr29.2bn a year earlier.

Brussels to clear aid for Alitalia

By Emma Tucker in Brussels

Tha European Commission will next week approve a L2,750bn ($1.6bn) injection of state aid to Alitalia as part of a restructuring plan proposed by the struggling Italian airline.

Brussels bopes the decision will be the last in a long saga of state assistance claims by European flag carriers which have turned to their governments for financial help under pressure from global competition.

The capital injection approved hy Mr Neil Kinnock, the transport commissiouer, was whittled down from an original L3,000bu demand and has several conditions attached.

Alitalia must sell its 35 per cent of Malev, the Hungarian carrier, divest its holdings in various regionel airports, and rationalise fleet and staff to obtain an adequate return on investment.

This is expected to involve a cut of 1,212 staff and a freeze in the size of the fleet at 157, rather than an expansion to 172, as had been foreseen in an earlier restructuring plan.

The Commission will also seek a promise from the Italian authorities that they behave as "normal shareholders" in relations with the airline and do not give further subsidies in the form of loan guarantees.

In addition, the authorities have to agreed not to prefer Alitalia over other EU carriers in the allocation of traffic rights, take-off and landing alots, ground handling services and access to airport infrastructures.

The aid will be paid in three tranches, the first immediately after it is approved by the commissioners next week. The second and third sums will be paid in May next year and May 1999, but only if the conditions of the restructuring plan are met. The recapitalisation of Alitalia is by its parent company, Iri, the state holding company.

Alitalia, which uotched up its ninth successive year of losses last year, is the last in a string of European airlines to have had state aid claims approved by the Commission, the EU'e competition watchdog.

The controversial payments – which went to carriers euch as Air France, Iberia, Olympic, TAP and Aer Lingus – were approved ou a "one time-last time basis", although in some cases, notably that of Air France, repeat requests were made.

Ths money has been used to restructure what had mostly become inefficieut state-owned eutsrprises unable to compete in the increasingly liberalised air transport market. All are now committed to full or partial privatisation.

Nano counts blessings of time in jail

Albania's next PM tells **Guy Dinmore** that his recent term in prison has made him a more tolerant politician

Prison has tempered the outlook of the man set to become Albania's next prime minister. "Sometimes, if you stay in prison for a short time you come out more aggressive, and if you stay too long you are politically destroyed," saye Mr Fatos Nano, whose Socialist party will head a left of centre coalition government following recent elections.

"But I was in jail just long enough to become more tolerant, so much so that some people in the party criticise me for being liberal. I don't care. I'm a social democrat."

A portly, affable man who likes to crack jokes in the several languages he speaks fluently, he insists he has thrown off the legacy of his hardline Marxist past.

In public, Mr Nano calls for reconciliation with his rightwing rival, President Sali Berisha. It waa Mr Berisha who ordered his arrest in July 1998 ou charges of corruption related to an Italian aid scandal during Mr Nano's short tenure as prime minister of a leftwing government in 1991.

The facts of the accusations may never be known. Mr Nano was sentenced to 12 years in prison after a politically engineered trial, and was adopted as a prisoner of conscience by international pressure groups.

He was freed last March at the height of the chaos sweeping Albania when mobs looted military armouries during an insurrection triggered by the collapse of fraudulent pyramid savings schemes.

Analysts say Mr Nano and Mr Berisba ware hoth reformists within the harsh Communist regime installed hy the Stalinist Euver Hoxha. But, while Mr Berisha, a heart surgeon to the Communist elite, turned against his former mentors and swept to power in 1992, Mr Nano remoulded the Marxist old guard into the Socialists with a commitment to free enterprise and democratic reforms.

> 'Some in the party criticise me for being liberal. I don't care. I'm a social democrat.'

Mr Nano says he is following a path pioneered by two recently elected prime ministers of the left: France's Liouel Jospin and Britain'e Tony Blair.

"The philosophy of privatisation, social assistancs, denationalisation and decentralisation of power is the future of my country," he says. "Jospin said: 'We will modernise the left', and Blair said: 'Ws want to move tha left to tha cantre quickly'. So I found myself in between. But my English is as good as my French."

Thanks to his spell in prison, from which he emerged looking distinctly healthy, Mr Nano ia untainted by the failed pyramid schemes but may he held to ransom hy a rash promise made during last month's election campaign to return lost money.

He has since "clarified" his position, etating that what money can he retrieved will be distributed but that his party is committed to an IMF-backed non-inflationary programme, bowever unpopular with the masses.

While Mr Nano charms the luternational community with conciliatory commitments to end Albania's centuries-old coda of vendetta, some analysts remain sceptical that the former Marxist economist is so reformed.

Within the party he is seeu by some as a tough autocrat who has surrounded himself with hardliners.

On the streets of the capital, Tirana, many also call into question his uew lifestyle – a penchant for fine suits and good food. He has a regular corner table at the capital's top hotel, surrounded by at least half a dozen hodyguards. Staff there say he is a pleasant customer and his favourite dish is frogs' legs.

His greying beard may be a small gesture of rejection of his Marxist past – during the Communist era facial hair was banned below what were jokingly known as "the party's cheekbones".

Born in Tirana in 1952, Mr Nano studied political economics at Tirana University and went on to work in the Institute of Marxist-Leninist Studiea under Hoxha's widow Nexhmije.

He was deputy prime minister in the last hardline Communist governmeut under Mr Ramiz Alia, and led a leftwing government dominated hy Communists after Albania's first free elections in March 1991. That goverumeut fell three months later amid strikes and mass demonstrations.

Mr Nano could fill the shoes of President Berisha, who has committed himself to resigning, but intends to reduce tbe powers of the presidency and install a parliamentary system with himself as prime minister. With still-awaited official results from the election expected to confirm a two-thirds Socialist majority, Mr Nano can do as he pleases.

Fatos Nano: cailed puhlicly for reconciliatiou with rightwing rival President Sali Berisha Reuter

Soviet-era power bosses sacked in Russia

By Chrystia Freeland in Moscow

Two of Russia'e most powerful provincial electricity bosses from the Soviet-era were sacked this week, a signal that the reformist cabinet team is developing the muscle to force through its restructuring plans.

In his weekly radio address to the nation today, President Boris Yeltsin is expected to point to the sackings as proof that his administration is keeping its promise to crack down on corruption and mismanagement even amoug influential industrial leaders.

The twin casualties are the chiefs of the regional electricity companies, known as energos, in Krasnoyarsk, in eastern Siberia, and in St Petersburg. Both men have been removed from their posts, although, formally, uew directors will be appointed only uext mouth, at specially summoned shareholder meetings. Analysts say the two energos are among the worst managed in Russia.

The dismissals are a victory for Mr Boris Brevnov, the new chief of Unified Energy Systems, Russia's national electricity monopoly. Outside investors cheered wbeu Mr Brevnov, who is clossly aligned with Mr Boris Nemtsov, the progressive first deputy prime minister, was elected to run the company in May.

But some wondered whether the 29-year-old former commercial banker from small-town Russia would have the guile and the clout to ontmanoeuvre UES's deeply entrenched, old-style managers. This week's sackings, and a sbake-up of UES executives in Moscow which has removed two-thirds of the company's old board of directors, suggest he is managing to outflank his opponents.

The purge at UES, which is Russia's biggest company by domestic market capitalisation, could have a powerful effect, encouraging reformers to stage palace coups in the other partially state-owned bebemoths of the Russian economy.

Criminal proceedings have been started against Mr Vladimir Ivannikov, the former director of Krasuoyarskenergo, who is accnsed of improper transactions with the company's bonds and shares. However, Mr Brevnov, who has made a pointed effort to find and promote members of the old UES management who want to work with the uew team, said that a drive for improved management, as well as an effort to root out corruption, motivated the dismissals.

"The decisiona were not only connected with corruptiou, although that is an eiement," Mr Brevnov said in an interview. "But we are also motivated hy our recognition that a new system can only he created hy new, decent people. We hope this will serve as a good example for all of Russia."

The move drew praise from western investors, whose enthusiasm for Mr Brevnov's policies has driven the UES share price up by 46 per cent since he took over. "This is very good news," said Mr Henrik Piper, utilities analyst at Brnnswick, a Moscow-hased investment bank. "These two were the most notoriously mismanaged energos and they were plagued by rumours of corruption."

Ms Julie Quist, utilities analyst at MC Securities, said: "It is nice to see that they are cleaning up the corruption and mismanagement in the regions."

NEWS: WORLD TRADE

Korea takes US dumping row to WTO

By Nancy Dunne in Washington

South Korea yesterday filed a complaint against the US a t the World Trade Organisation alleging it failed to lift unfair anti-dumping duties on Korean colour televisions.

South Korea might also file a second WTO case if the US does not lift anti-dumping dnties on Korean D-Rams, said Mr Young Oh, South Korean commercial attache in Washington.

Mr Chang Yuei Lim, Korean trade minister, said the US had promised to resolve the colour television issue by November 1996 but had failed to do so.

It was highly regrettable that the anti-dumping cases had been a source of contention between the two countries and that a solution still appeared to be beyond our reach, said Mr Chang.

Mr Young said Korea no longer directly exported colour television sets to the US, but sent them from outlets in Japan and Taiwan. The US industry bas shrunk to include only Zenith, owned by a Korean Company, LG Semicon, and companies such as RCA, which import from foreign producers.

The US first imposed dumping duties on Korean chips from Hyundai Electronics Industries and LG in 1993. Annual reviews conducted by the Commerce Department over the past three years have concluded with "de minimis" dumping findings – meaning dumping, or selling at less that fair market value, has been minimal if at all.

Last February, after conducting an annual review, tbe Commerce Department found that LG and Hyundai Electronics Industries, the two Korean companies covered by the orders, had not dumped D-Rams over the past three years. After three years of "de minimis" finding, the Commerce Department generally lifts its anti-dumping orders.

However, the department, in a preliminary decision, said it could not be certain tbat Korean companies would not begin to dump again if no restraints were in place. It said D-Ram prices had been falling and were likely to continue to decline. Korean companies have continued to increase production and "will likely continue to maintain a substantial presence in the US market during various pbases of the business cycle," the decision said.

Altbougb no dumping duties are now imposed on Korean D-Rams, Mr Larry Walders, a Washington-based attorney, said the continued orders requlred expensive and time-consuming annual reviewa during which companies must present information about costs, prices, products, research and development, sales and inventories.

> The Koreans argue that prices have fallen because of over-supply and lower costs rather than any dumping action

The Koreans argue that prices have fallen because of over-supply and lower costs rather than any particular dumping action. They have offered to continue to collect price and market information and provide it to the Commerce Department.

But the department concluded that given the current market, "it would be difficult for tbe Korean respondents to remain competitive witbout selling D-Rams at less than normal value." It will issue a final decision on July 16.

Machine tools: East European exports surge

Source: Cecimo

West Europeans look east for machine tools

By Peter Marsh in London

Demand from western Europe for low-cost machine tools from the former communist bloc has surged in the past four years, according to a study by Cecimo, the European machine tool trade association.

Rising demand is most evident in the Czech Republic, which now exports to western Europe almost as many parts and complete machine tools as it imports.

Another beneficiary has been Romania, whicb last year ran a small surplus on its trade of these products with companies in western Europe. In 1993 it had a deficit.

Slovakia has also experienced a sizeable cut in its trade deficit on machine tool prodncts, while over the same period exports from Bulgaria of these items to western Europe has more than doubled.

Behind these changes has been growing interest by west European machine tool makers, particularly in Germany, in gaining access to low-cost parts made in eastern Europe, where lsbour costs are much lower.

Before 1990, exports of these products to the west were extremely low. However the former communist bloc imported large quantities of western machine tools for its own industries.

Imports into western Europe of complete machine tools, not just parts, bave seen a big rise. In most cases the systems are rebadged and aold under western European companies' own names, as cheaper versions of tools made in the businesses' own factories.

According to Cecimo, exports of machine tool parts and systems to western Europe from central and eastern Europe, inclnding Russia, more than doubled between 1993 and 1996, from Ecu139m ($156m) to Ecu323m ($362m).

Over tbe same period, imports from west to east increased by only a fifth, from Ecu627m to Ecu769m.

The biggest change was for the Czech Republic, which pushed up exports from Ecu58m to Ecu147m. The trade deficit on the products was cut from Ecn40m in 1993 to Ecu6m last year.

Romania increased tts exports threefold, while Slovakia pushed up exports of comparable items from Ecu6.8m to Ecu29.9m, cutting its trade deficit hy a third.

Exports of machine tools and parts to western Europe from Hungary and Poland have changed far less. These countries are looked at less favourably by western European companies as potential supply hases for low-cost parts.

Hungary's imports of machine tools and parta from western Europe rose threefold over the period, with exports increasing only marginally. Poland saw its comparable trade deficit nearly double between 1993 and 1996.

More than two thirds of the purchases of parts and complete systems involves German companies, with Italy close behind, according to Cecimo's estimates.

Kazakhstan oil finds an outlet in China

By Robert Corzine and Charles Clover in Almaty

Chevron, the US operator of Kazakhstan'a giant Tengiz oil field, will soon make its first test delivery of oil to China by rail.

The company, which has been hampered by a lack of export routes out of the Caspian Sea to world oil markets, believes growing petroleum damand in western China could result in "substantial" exports of Tengiz oil to China via rail.

Current demand in western China could allow Chevron to export as much as 1m tonnes a year to the region, according to Mr Galymzhan Zhakiyanov, chairman of the Kazakhstan governmant's Agency for Strategic Reaources Control in Almaty.

Chevron is also studying the feasihility of establishing an oil storaga facility on the Kazakh-Chinese border to overcome a shortage of rail wagons to carry the oil.

Kazakh trains would deliver it to the storage facility, which would then transfer the cruda to Chinese wagons. Tha construction of a tank farm would eliminate the inefficient transfer of the tanker wagons to China'a rail system, which has a different gauge from that used in the former Soviet Union.

The Kazakh government is keen to establish a foothold in tha western China oil market as a possible prelude to the construction of a pipeline to the country'a main industrial regions.

The Chinese National Oil Company recently agreed to huild a pipeline from the Aktyubinsk oil field in western Kazakhstan to China as part of a deal to secure a stake in the field, although many industry observers are doubtful about the economics of such a large pipeline scbeme unless Beijing decided for strategic reasons to suhsidise the tariffs charged on its territory.

Tengiz is the first of a series of big weatern oil developments planned for the Caspian Sea region.

The hulk of its exports will eventually reach world oil markets via a new export pipeline that is to be built over the next few years by the Caspian Pipeline Consortium, linking Tengiz to Novorossiysk on Russia'a Black Sea coast.

But Chevron has succeeded in shipping relatively large volumes of oil via rail, with some Tengiz oil travelling aa far as Baltic Sea ports before heing loadad onto tankers.

Tengiz is the "supergiant" oilfield on the eastern shores of the Caspian which contains between 6bn and 9bn barrels of oil. Oil experts now believe the region may have reserves many times greater – in particular in the Kashagan formation, a recently discovered area under the sea.

Higher specifications for DVD Audio sought

By Alice Rawsthorn in London

Sanior record executives meet in London next week to discuss tbe technical reqnirements for DVD Audio, the new sound carrier they hope to market as an advanced compact disc.

The music industry rejected the first set of DVD Andio specifications, presented by the consortium of consumer electronics companies developing digital versatile disc (DVD), the new "intelligent" discs that look like compact discs but have considerably greater memory capacity.

Record executives claimed that the original specifications would not have produced a product sufficiently attractive to persuade consumers to adopt it as a new form of software. They perceive DVD Audio as a product which will use its additional memory to relay film, text and music of exceptionally high sound quality. Such a disc might include footage of a band performing, interviews and song lyrics.

Another concern about the initial technology was that it did not make adeqnate provision to prevent the discs being counterfeited. Piracy is a serious prohlem for digital aoftware sucb as DVD Andio, which provides a near-perfect replica of original recordings.

Finally, record executives are anxious to ensure that the final version of DVD Andio will be compatible witb existing compact disc technology, therehy enabling consumers to play DVD Audio discs on their CD players and compact discs on DVD Andio systems.

The music industry hopes to agree on a framework for DVD Andio'a final technical specifications at next week's meeting, whicb will be attended by representatives of the International Federation of the Phonographic Industry and the Recording Indnstry Association of America.

After tbe meeting, a request for technical proposals will he circulated to interested electronics companies such as Sony, Pioneer, Matsushita and Kenwood. Specifications will then be tested by a steering committee composed of record producers and sound engineers.

The music industry bopes to select the technology hy the end of the year, with the first DVD Audio systems going on sale two years later.

NEWS: INTERNATIONAL

Speculators target emerging market currencies

By Greta Steyn and Simon Kuper

Emerging market currencies around the world were under attack yesterday from the speculators wbo prompted the devaluation of the Thai baht and the Czech koruna.

The assaults on currencies as diverse as the South African rand, the Philippine peso and the Polish zloty hreak two years of calm for emerging markets currencies, since the Mexican peso crisis ended in early 1995.

Since then, growth in global trade and investment flows has revived these currencies. Crucially, emerging markets offered far higher yields than the world's biggest economies, where interest rates were nnusually low. Many investors borrowed yen at Japanese rates of 0.5 per cent in order to huy high-yielding emerging currencies – tbe so called "carry trades".

The turnaround came in May, wben currencies traders decided Japan would raise interest rates soon. Investors hurriedly repaid their horrowed yen before the interest on their debts rose. Higb-yielding currencies, led hy the dollar, tumhled. The main emerging market victim was the Czech koruna, hurt hy a slowing economy and a growing current account deficit. It dropped 10 per cent after speculative attacks forced the central bank to float it. The baht fell next. Thailand likewise had a current account deficit and slowing economy, with a fragile banking sector to boot.

The outlook appears bleak. The US and then Japan are expected to raise interest rates in coming months. That would further reduce investors' appetite for emerging market yields, prompting more unwinding of yen carry trades.

Mr Richard Gray, emerging markets analyst at Bank of America, said that the influx of funds into the emerging markets over the last two years had already made their yields less attractive. The spread between henchmark Argentine and US rates, for instance, has narrowed from about 1,000 basis points last July to about 400 basis points today.

Forex strategists are now making lists of the next currencies to tumble. They say a high current account deficit is the most reliable sign that a currency is in trouble. Mr Gray said the trade balance of certain Asian countries would suffer after the baht's fall, as they competed with Thailand in many markets. "Their currencies have to weaken to restore the status quo," he said. Mr Avinash Persaud, J.P. Morgan's head of currency research in Europe, highlighted the Brazilian real, whicb looked overvalned givan Brazil'a large current account deficit.

Forex strategists said the Thai and Czech experiences suggested that currencies with fixed exchange rates were in most trouhle. A fixed rata can prevent central banks from reacting flexihly to attacks. The Malaysian dollar and the Philippine peso are still pegged to the dollar, but Mr Steve Jennions, emerging markats analyst at Crédit Agricole Indosuez, predicted that the Philippines would soon opt for a managed depreciation.

Poland should escape a big attack hecause its central bank had realised early that the zloty must weaken, said Mr Zsolt Papp, emerging markets economist at UBS.

Asian currencies, Page 5

Hearing opens on conditions in Nigeria

By Michael Holman, Africa Editor, in London

The Commonwealth's ministerial action group opened a two-day meeting on Nigeria yesterday to hear evidence on conditions in the country from opponents of the military regime.

The group will report to the Commonwealth summit in Edinhurgh in October, where heads of government will decida what ahould be done to bring about a return to democracy in Nigeria, suspended from the 53-member association in 1995.

Mr Rohin Cook, British foreign secretary, haa already said London would recommend that Nigeria should remain suspended.

In a joint memorandum, the United Democratic Front of Nigeria, and the National Democratic Coalition for Nigeria called on the Commonwealth to support the imposition of comprehensive mandatory sanctions by the UN Security Council.

Sanctions currently in force, including visa restrictions and an arms embargo, "have not had any serious effect", said the coalition, which includes Mr Wole Soyinka, the 1986 Nobel prize winner for literature.

Article 19, the London-based body that campaigns againat censorship, and Media Rights Agenda, a Nigerian human rigbts organisation, told the hearing that the country's independent media "remains under virtual daily attack".

Nigeria's suspension followed the execution in November 1995 of the writer Kan Saro-Wiwa and eight other minority rights activists.

"Nigeria has not behaved according to international codes of conduct and therefore sbouldn't be a member of the Commonwealth," Mr Saro-Wiwa's son Ken Wiwa said yesterday.

The Commonwealth action group comprisas Britain, Canada, Naw Zealand, South Africa, Zimhabwe, Ghana, Jamaica and Malaysia.

Belgium probes Mobutu assets

By Neil Buckley in Brussels

Belgium is preparing to freeze the assets of former Zairean President Mobutu Sese Seko and has appointed a judge to investigate whether they were acquired illegally using money plundered from the African state.

The Brussels prosecutor has named Mr Jean-Claude Leys as investigating judge in the case, following a request from the justice autborities of the renamed Democratic Republic of Congo at the weekend.

The letter, delivered by Mr Bizima Karaha, Congolese foreign minister, on a private visit to Brussels on Saturday, apparently asked Belgium to freeze the assets of Mr Mobutu and 82 other relatives and former senior Zairean officials.

An FT investigation in May identified at least nine properties in Belgium owned hy the former dictator or members of his family, valued at between BFr545m and BFr600m ($15.5m-$17m).

The trigger for the Congolese request may have been the sale last week of one of the most opulent properties, Château Fond'Roy, a mansion with four hectares of land in the plush southern Brussels suburb of Uccle.

The château, estimated to he worth up to BFr400m ($11m), is reported to have been sold for less than half that to a Belgian businessman.

Congo asked Switzerland, where Mr Mobutu owns several properties and tbe majority of hia wealth is believed to be invested, to freeze his assets immediately after he fled the country in May. But Belgium had received no auch demand.

"We always aaid we couldn't act without a request from the Congolese," a foreign ministry spokesman said yesterday. "That request was handed over on Saturday, and we passed it to the legal authorities."

The investigating judge is expected to freeze Mr Mobutu's Belgian assets shortly, while he attempts to discover their full extent.

Investigators yesterday aearcbed tbe offices of Banque Belgolaise, where Mr Mobutu is said to have been a customer, while other hanks were instructed to block any Mobutu accounts.

Assets found to have been acquired using former Zairean state funds could he returned to Congo, but the proceaa is likaly to he lengthy.

"There is no legal precedent for this in Belgium," said a Brusaels official, warning that investigations elsewhere into former Philippine dictator Ferdinand Marcos had taken years.

While his assets will not be confiscated, Mr Mobutu, now sheltering in Morocco, will not be allowed to sell or remove them from Belgium during the investigation.

Kenya's middle classes snap

Patience has run out with the uncompromising President Moi, writes Michela Wrong

Mr Kamau Njoroge wears shirts with hutton-down collars, owns a amart four-wheel drive and speaks impeccable English. A member of Kenya's biggest tribe – the Kikuyu – he returned to Nairobi after being educated in Britain, full of plans to set up in one of the country's growth sectors.

But his company is not prospering. Instead he sees government contracts going to members of President Daniel arap Moi's minority Kalenjin tribe and well-connected Asians.

Once-wealthy relatives up country press him for money. But with his income aaten up hy the private schools and hospitals he prefers to Kenya's crumbling atate institutions, there is little to spare.

"In the old days I used to think it was a nuisanca when the students went on the rampage. Nowadays I feel ashamed not to be with them," he says. "The middle classes no longer trust or believe Mr Moi. Something has snapped."

As Mr Moi digests the implications of this week'a political violence, which shattered the country's international image as the peaceful eye of the African storm, he cannot ignore people like Mr Njoroge.

Conspicuous among the students, opposition activists and johless youths heing clubbed on the streets were middle-aged men in suits and ties, their white shirts splattered with blood. For most, it was their first taste of police brutality. Kenya'a middle classes are becoming radicalised, a development that has sent shudders through many an African regime.

The protests, called by opposition parties, civic groups and religious leaders, are nominally aimed at winning the repeal of laws that critics claim will giva Mr Moi an unfair advantage in polls expected later this year. But what lies behind the debate is far more diffuse and, for the 73-year-old president, far more worrying.

Despite being blessed with what was at independence one of Africa's most modern infrastructures, aid flowa totalling billions of dollars and one of the continent's most liberalised economies, the ordinary Kenyan is hurting.

Average per capita incomes have stagnated since the mid-1980s and now stand at $280 a year. More and more families are sinking below the poverty line.

The reality of the statistics ia starkly apparent. The number of children begging on the streets of Nairohi grows each week. Once one of the continent's smartest capitals, tha city is a crime-ridden eyesore of potholed roads, rotting rubhish and squalid shanty-towns.

President Moi: no longer trusted

All do not suffer equally. A small elite has wrung maximum commercial advantage from its proximity to power, resulting in a cbasm between rich and poor wider than in any country in the world apart from Brazil.

The top 10 per cent enjoys 47 par cent of Kenya's national income.

"The middle classes just want to be left in peace to make money," says Mr John Githongo, columnist for the East African nawapaper. "But they look to the future and expect to get poorer. They see no avenues for self-advancement. Moi has killed hope."

With such anger and frustration as a backdrop, Mr Moi's refusal to compromise is fast transforming the constitutional campaign from a list of precise legal demands into a spreading conviction that the president himself must go.

"The focus has already shifted from constitntional reform, which is a complex issue to articulate, to the president himself. Increasingly he is being seen as the main obstacle to progress," says Mr Githongo.

Despite excitable talk of "the Kabila effect", a Zaire-style overthrow looks out of the question. A loyal army and western support are not tha only reasons: in the run-up to elections, the opposition has gona into self-destruct moda, fracturing on ever more ethnic lines.

The recent unilateral announcement by Mr Kenneth Matiba, head of the Ford-Asili party, that he would boycott the elections merely exacerbated the disarray: opposition parties are now too busy realigning to catch his votes to concentrate on actual victory.

Had they agreed a aingle candidate, the opposition could probably win the polls despite a constitntion weighted in Mr Moi'a favour. In the event, he may face as many as six separate candidates, all with narrowly ethnic constituencies, none with a national vision. Unless the opposition pulls off a last-minute miracle, its defeat seems certain.

But given the level of public discontent, the absence of a charismatic leader to polarise and channel protest carries its own dangers.

Analysts warn that Kenya could fall prey to bouts of random violence, with Mr Moi's Kalenjin tribespeople and Asians as favourite victims. Britons, whose governmant is increaaingly regarded by ordinary Kenyans as having played the same role in keeping Mr Moi in power as tha French government did in propping up Zaire's Mr Mohntu, could also become targets.

Significantly, recent demonstrations have been characterised by a swift descent into looting and general thuggishness not seen during previous pro-reform protests.

Kenya's long-atanding image as a peaceful democracy has been so beguiling, that its descent into the African cliché of riot-prone, crime-ridden hotspot would deal a big hlow to confidence in the continent as a whole. Belatedly alert to the dangers, diplomats have started holding regular meetings with the presidency to press for compromise.

"It is already too late for far-reaching constitutional reforms," says a diplomat. "But if Moi could just send oot signals ha is seriously willing to engage in real reform after tbe elections, mayhe we could cool the temperature."

The suggestion elicits a laugh from Mr Njoroge. "You know our president as well as I do. Does compromise seem likely?"

Forcible takeovers loom after today's deadline

Ailing Thai groups unlikely to merge

By Ted Bardacke in Bangkok

Most of the 16 ailing Thai finance companies whose operations were suspended by the central bank last month are unlikely to announce friendly merger plans by today'a deadline, and face being forcibly absorbed by their bealthy competitors, finance industry exectives said yesterday.

Closure of the companies will be a blg step in consolidating the country'a financial sector, which analyats say must be cleaned up quickly, to prevent a financial crisis in the wake of last week's de facto devaluation of the Thai baht.

The central bank had been propping up these companies by giving them emergency injections of liquidity bnt that proved expensive. The financial authorities now place higher priority on marshalling enough resources to make sure healthy Thai companies have enough money to pay back at least $40bn in foreign loans falling due in the next 12 months.

About balf the suspended companies were expected to announce that foreign financial institutions have signed conditional letters of interest, an executive at one of the auspended companies said. But the Bank of Thailand was apparently taking a hard line and may require that a full memorandum of understanding be signed, a near impossibility given the short time involved.

Also, resistance has come from the Bank of Thailand and the Securities and Exchange Commission to letting tha ailing companies separate their securities businesses, which are generally healthier than thair finance lending operations, and selling them off separately.

"There may be a hidden agenda here and that is to close tha companies," the executive said.

Analyats were dividad over whether the Bank of Thailand's stance was good policy.

While generally applauding tough measures to clean np the financial systam, there is worry over tbe scheme because foreign creditors will be hurt at a time when Thailand needs their goodwill to roll over their existing credit lines to other finance companies.

Paribas Asia Equity estimates that $6bn in foreign credit lines is outstanding to the finance sector. Most of these lines have a duration of no longer than 366 days.

If the 16 companies are unable to come up with their own merger plans, they will be incorporated into one of five bealthy finance groups, which will take over the companies' good assets and assume responsibility for tbeir promissory notes, mostly beld by Thais.

The companies will then be left with bad assets and liabilities, which in most cases will be much greater than shareholder equity.

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Indian netsurfing 'set to explode'

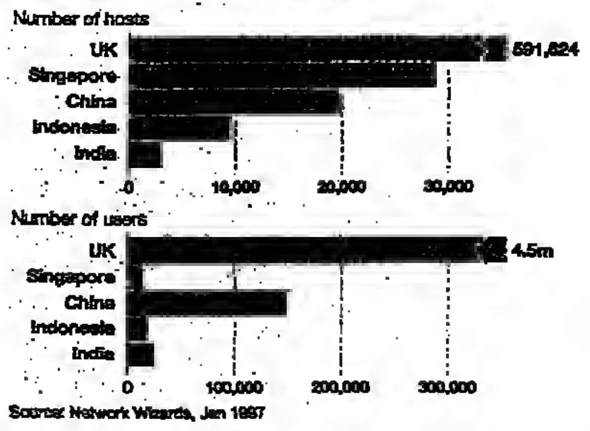
By Mark Nicholson in New Delhi

India's netsnrfing community could awiftly blossom sevenfold to 200,000 if the government approves new proposals to permit private internet services, the country's software industry association says.

The Delhi-based Nstional Association of Software and Service Companies (Nasscom) believes at least 150 Indian and foreign companies are getting ready to compete with tha present sole public provider, which would lower the cost of internet access.

India's Telecom Commission, the responsible government department, this week recommended liberalising the provision of internet services, at present available to private Indian users only through VSNL, the state-run international telecoms company.

India's part on the internet



Source: Network Wizards, Jan 1997

Software and infotecb executives have welcomed the move. "It's promising. It signals that the people wbo make these decisions have begun to realise the importance of data networks in India," said Mr Ravi Marwaha, managing director of Tisl, the Tata-IBM information technology venture.

Tbe move now requires only cabinet approval, regarded as a formality, and would allow private telecoms and high-technology companies to provide tbeir own internet access packages.

Snch Internet Service Providers (ISPa) would, bowever, at first have to route all their internet aervices through the VSNL "gateway". Whether VSNL would charge such ISPs licence fees for its use remains under discussion.

Aslde from government and academic users In India supplied witb internet access by governmeot agencies, VSNL has notcbed up 28,000 private subscribers tbere since introducing internet access in late 1995.

However, though VSNL increased server capacity last year, users in Indla's main cities complain of chronic difficulties in accessing the services during business bours. This difficulty is one measure of latent demand for new ISPs.

In anotber, research by Nasscom in 50 citles tbis year estimated total present demand for internet services to be 200,000 users, and this is seen rising to 1.5m-2m users by 2000.

Mr Dewang Mehta, Nasscom's executive director, said tbe organisation's researcb indicated there would also be an immediate response from private Indian and foreign infotech companies. "If the policy were approved within two months, you'd have at least 150 ISPs right away."

User costs would fall from the flat rate of Rs30 (85 cents) an hour charged by VSNL to just Rs500 a month for unlimited access. Moreover, Mr Mehta declared, liberalisation was an essential nutrient for India's software Industry, which grew 60 per cent last year and made total sales of $1.8bn as India's fastest growing export earner.

A Nasscom study of 400 Indian software houses sbowed that 255 had internet access, failing available connections, Mr Mehta said: "We believe a software company can't survive today without internet access."

Philippines raises key borrowing rate to 32%

By Justin Marozzi in Manila

The Philippine central bank yesterday lifted its key overnight borrowing rate from 30 to 32 per cent, the latest move in its defence of the peso, as analysts predicted that it would soon opt for less intervention on the open market.

The Philippine peso has been weathering intense speculative pressure since Tbailand announced its managed float of the baht nine days ago.

So far, the central bank has used a combination of punitively higb overnigbt horrowing rates and direct intervention to ward off the attacks. But with reserves which are low by regional standards, analysts say it is now likely to concentrate on using interest rates to defend the currency.

In another day of relatively heavy trading, the dollar gained a fraction, to close at 26.401.

Mr Noel Reyes, vice-president of Anscor Hagedorn Securities, estimates the recent defence of the peso has brought down the central bank's international reserves from $10.96hn on June 20 to below $10.5hn. This represents less than three months' import cover, he says. His estimates do not include the bank's activity during trading on Wednesday, which at $1.01bn was the second highest volume ever, and which traders said cost the central bank a further $630m.

"They're rapidly losing ammunition," Mr Reyes said. "They said they would go full hlast with all their arsenal but the dollar sales are their weakest armament. Next is high interest rates, but that's just not sustainable."

The steep rise in the central bank's overnight borrowing rates, which are now at more than double their level since the Thai crisis started, is already beginning to take its toll on the economy.

Far East Bank, a leading local bank, has now raised its prime lending rate to 16-17 per cent from 13-14 per cent last week; other commercial banks are moving in the same direction.

In particular, the interest rate rises are expected to deliver a serious blow to property groups in the pre-sales market, which relies heavily on credit financing.

The fall-out from Bangkok has also exacted a keen price on the local stock market. Yesterday, it lost another 3 per cent, taking the total fall since the baht float to more than 9 per cent.

"Export competitiveness would undouhtedly be enhanced if the peso should devalue, but clearly this would be at the expense of the already deteriorating asset quality of the banking sector," says Mr Chris Hunt, head of research at Indosuez W.I. Carr.

"We have to assume that wbere the baht goes, the peso, kicking and screaming, must surely follow."

The Malaysian currency recovered against tha dollar yesterday without intervention from the central bank but helped by a rise in local interhank rates, after a week under pressure following the floating of the baht last week, Asif Huda reports from Kuala Lumpur.

The ringgit closed at 2.49 to the dollar compared with 2.50 on Wednesday. On the money market, tha Kuala Lumpur interhank offered rate one-month rose to 9 per cent from 8 per cent while three-month shot up to 8.60 per cent from 7.94 per cent, after a warning from the central bank governor that rates would have to rise.

US stresses doubts over new HK laws

By John Ridding in Hong Kong

The US has stressed its grave reservations about new laws passed by Hong Kong'a post-colonial legislature and its doubts about changes to electoral rules for polls planned for next year, State Department officials said yesterday.

Speaking after the Beijing-backed legislature passed laws on Wednesday enabling the deportation of children wbo immigrate illegally from China, a spokesman said: "There is always going to be a question about these laws, as long as there is not a democratically elected legislature in place."

The comments underlined US opposition to the provisional legislature, which replaced the elected chamber after the territory's return to Cbinese sovereignty lsst week. It also reflects US acrutiny of post-colonial Hong Kong and the territory's emergence as an issue in Sino-US relations.

Mrs Madeleine Albright, US secretary of state, said last week Beijing must npbold its promises of autonomy for Hong Kong; free and fair elections to replace the provisional legislature would be seen as a test of China's commitments.

Earlier this week, Hong Kong's new administration announced reforms to electoral arrangements, which came under fire from the territory's pro-democracy forces. They claimed their presence in the legislature would be rednced by proportional representation and the narrowing of electoral college franchises.

The State Department said it saw "no justification" for changes in the poll process.

Beijing brushed off the criticism, saying it would have no effect on the operatioo of the provisional legislatnre or arrangements for the 1998 elections. A spokesman for Mr Tung Chee-hwa, Hong Kong's new leader, said the provisional legislature had a sound legal basis.

In an attempt to remove uncertainty created by legal challenges to the provisional legislature, the new administration has pusbed for a rapid hearing of a test case due to go before the court of appeal. Officials at the Justice Department said yesterday a landmark case on the issue was now set for July 22, rather than a week later.

The challenge to the legitimacy of the provisional legislature, whicb raises the threat of a constitutional crisis should it succeed, has arisen out of a corruption hearing in a lower court.

Defence lawyers argued their clients could not be tried because the charges they face ceased to exist after transfer of sovereignty. The government is expected to be represented in the case by Mr Daniel Fung, solicitor-geoeral.

Wheel of fortune spins in favour of Dr Ho

By John Ridding

The hig winner at Macao's gaming tables was revealed yesterday when the casino monopoly controlled by Dr Stanley Ho announced net profits of 4.63bn patacas ($579m) for 1996, the first time it has ever disclosed results.

The size of the profit at Sociedade de Turismo e Diversoes de Macan (STDM) underlines the territory's role as the Las Vegas of sonthern China. It sbows gambling's importance to the Portngnese enclave, dne to return to Chinese rnle at the end of 1999.

Dr Ho, wbo fonnded STDM 35 years ago, says gambling taxes account for almost balf of government revennes. His company is Macao's biggest employer, with some 10,000 staff.

Apart from tbe nine casinos it controls, and stakes in the territory's Jockey Club and greyhound track, STDM also bolds significant sbares in many of tbe enclave's botels, infrastructure projects and property developments.

An accord reached last montb between Lisbon and Beijing confirmed tbat STDM will retain control of tbe gambling monopoly tbrongb tbe return to China until it expires in 2001. Dr Ho, wbo retains an unspecified stake in STDM, is confident the gambling monopoly will he maintained after that date.

Despite the buge snms taken at the tables, STDM described 1996 as a difficult year. "1996 was not very good for the economy of tbe region," the company said. "We hope 1997 and the following years will be more promising."

Macao's economy has been hit by a property slump, triggered by a construction boom fnnded partly by mainland money. More than 30,000 apartments stand empty, about one for every 15 residents.

The enclave, and its tourist indnstry, bave also been confronted by an ontbreak of violence as Triad gangs battle for loan-sharking and protection rackets. Dr Ho says the gang wars bave oot spilled into the casinos, and punters from Hong Kong, just one hour away by his bigh-speed jetfoils, bave not been deterred.

Officials say they are stepping up security and toughening laws. Bnt, they add, the territory continues to draw an increasing number of visitors.

ASIA-PACIFIC NEWS DIGEST

Philippine SEC checks rumours

The Philippine Securities and Exchange Commission (SEC) is looking into allegations that the chairman of tha Philippine Stock Exchange has been involved in insider dealing and other practices which break the regulator'a rules.

The move comes after rumours in the market that Mr Wilson Sy had been trading in shares of companies of which he is a director. Mr Perfecto Yasay, SEC chairman, emphasised that the move did not represent an investigation of Mr Sy. "Although these are mere rumours and innuendos, the commission decided to investigate because if we don't then the innocent may not be adequately protected," he said. "If there is basis [to go ahead with the probe], then we will investigate Mr Sy."

Mr Sy sits on a handful of boards of listed companies, has interests in two other brokerages and runs a mutual fund which last year yielded a 58 per cent return, more than three times its nearest competitor's. He was not available for comment last night. *Justin Marozzi, Manila*

Warning on Japanese orders

A leading indicator of Japanese private-sector capital expenditure showed strong growth in May, but economists warned that the trend might not be upwards.

Seasonally adjusted core machinery orders jumped 12.9 per cent in May from a month earlier, well above expectations, after a 7.2 per cent rise in April and a 12.7 per cent drop in March. Unadjusted, the figures showed an 8.8 per cent increase year-on-year.

Orders were particularly strong in the steel, non-ferrous metal and electric machinery industry. Non-manufacturing sectors also placed large orders, but public sector orders were down 1.2 per cent on the month. Mr Richard Jerram, economist at ING Barings in Tokyo, said: "If we look at the trend lines, then both series are still on a downwards path." *Bethan Hutton, Tokyo*

N Korea 'preparing for war'

The highest ranking North Korean ever to defect yesterday said that Pyongyang was preparing for war, but conceded he had no proof that it had nuclear weapons.

Mr Hwang Jang-yop, who defected in February, claimed that Mr Kim Jong-il, the North Korean leader, had rejected reforms and was planning instead a quick invasion of South Korea as the only escape from the severe economic problems besetting Pyongyang.

Mr Hwang's assertion contradicted recent reports that North Korea was preparing to open further to foreign investment and might appoint a top economic reformer as prime minister. *John Burton, Seoul*

Asean risking splits in Cambodia crisis

The decision hy the Association of Sonth East Asian Nations (Asean) to postpone Cambodia's planned membership and to lead an effort to help restore the country's coalition government launches what is likely to be another protracted international push to bring peace to a nation which has known nothing hut war and instability for three decades.

Hun Sen: close to Burma

Asean's decision comes after Mr Hun Sen, the "second" co-prime minister, ousted the "first" prime minister, Prince Norodom Ranariddh, in a series of violent military manoeuvres this week. Asean continnes to recognise Prince Ranariddb as a co-premier and is consulting King Norodom Sihanouk. The aim is to make sure that China, Japan and the west do not put Cambodia on the back-burner.

It is also a boost to Prince Ranariddh's efforts to bring the UN around to his side, despite the impression that some in the international community are willing to write off the nearly $3bn in international aid poured into the country over the last six years as a loss and pack up.

"True, some people are tiring of the Cambodia mess and just want to let it disintegrate on its own," said one Asian diplomat. "Bnt too mnch monay has been invested, and with Asean looking lika it'a going to take an active role again, everybody else has nothing to lose by supporting that."

Whereas Asean's efforts in the 1980s to end the Cambodian civil war were born out of strategic concerns, the new moves are designed to save face after a controversial decision in late May to let Cambodia and Burma into the association despite objections that it was undermining its own international reputation by letting such unstable and objectionsble regimes into its ranks.

"It's certainly a problem for Asean," said one long-time Asean observer. "But if they can solve it, it doesn't become an embarrassment."

But the group will have to step outside its self-imposed bounds of non-interference in the internal affairs of other countries in trying to find a solution to Cambodia's newest crisis.

And that may lead to divisions that did not exist when Asean last interfered in Cambodia's internal affairs a decade ago. Then, neither Vietnam nor Laos, which together propped up Mr Hun Sen from 1979 to 1991, nor Burma, which has cultivated a close relationship with him over the past two years, was an Asean member.

Still, those countries are, or will be, only junior members and cannot stand up to the likes of Singapore, which fears any kind of instability in the region, or Indonesia, whicb put so much effort into drawing up the 1991 peace accords.

Thailand in particular, with a porous land border and historic ties to the royalists led by Prince Ranariddb, has a big stake in making sure there is a negotiated settlement.

If there is a return to civil war, "one way or another we will be involved eitber by supporting the royalists or putting obstacles in the way of supplying the royalists," said Mr Sukhumbhand Paribatra, a member of Thailand's parliamentary committee on foreign affairs. "Either way we'll be in a terrible position."

But military analysts say Prince Ranariddh will have a more difficult time organising armed resistance to tbe government of Mr Hun Sen because his financial, logistical and military backers within Cambodia, Asia and the west are unlikely to resume large-scale aid now that the strategic impetus of tbe cold war has disappeared. That may make his diplomatic efforts lack enougb punch in the long run.

"If Ranariddh thinks he can resume the 1980s guerrilla war he is roundly mistaken," said Mr Robert Karniol, Asia-Pacific editor of the military analysis magazine Jane's Defence Weekly. "A lot has changed since then."

Ted Bardacke

Fresh theatrical twist fails to prove wrongdoing in Chinese campaign funds scandal

Beijing opera comes to cynical Washington

By Gerard Baker in Washington

As an accomplished Hollywood actor, Mr Fred Thompson understands the importance of timing in delivering his lines. On Tuesday, the man who is now chairman of the Senate's governmental affairs committee demonstrated he had forgotten nothing of his former trade when he opened hearings into allegations of campaign finance abuses.

In a dramatic flourish, he kicked off with a bold and unexpected claim that his committee's investigators had uncovered firm evidence that the Chinese government had sought to buy influence illegally in last year's congressional and presidential elections.

The allegation was a theatrical masterstroke. It seemed to breathe new life into the flagging campaign finance scandal.

What began at the end of last year with some potentially deeply embarrassing revelations about the fund-raising activities of President Bill Clinton's election campaign team, has gradually taken on all the drab appearance of a familiar official Washington scandal - bewilderingly complex, increasingly obscure, and of no interest to anyone outside the District of Columbia.

Mr Thompson'a bombshell was intended to alter that impression. Though it was left nnsaid, behind the Republican senator's general allegation was the implication thet the White House might have been bought by Beijing, a claim that would make Watergate and subsequent affairs pale by comparison. But as the committee continued its hearings in the wake of the allegations, politicians were left wondering whether there was any substance at all behind the theatrics.

The central claim first surfaced a few months ago. "High-level Chinese government officials", concerned at the growth of anti-China opinion in Washington, according to Mr Thompson, channelled money covertly into the US last year, buying influence by contributing to the campaigns of unnamed members of Congress and presidential candidates.

But while the allegations have been made before, the senator's claim that he had evidence to back them up was new.

Mr Thompson declined to publish the evidence, and immediately drew a cynical response from Democrats, some of whom claimed they had seen the same evidence, and found it uninformative.

"I thought be went a little further than I would cboose to go with what I know, and I think I know as much as anybody else," said Sen John Glenn, the leading Democrat on the committee.

Mr Glenn may also have been unhappy that Mr Thompson's coup de théâtre upstaged his own piece of drama. Tbis was the announcement that the central figure in the campaign finance story, Mr John Huang, an Asian-American businessman who raised millions for Mr Clinton's re-election campaign, had agreed to testify before the committee.

But his testimony would only be given on the condition that he receive limited immunity from prosecution, a concession the Justice Department seems reluctant to make.

Senator Fred Thompson: dramatic timing Reuter

Democrats say the only firm evidence reported to the committee on the China connection refers to an entirely legal, if somewhat clumsy, Chinese government effort to improve its profile in Washington through proper channels – such as extra diplomatic activity, and increased hiring of Washington lobbyists.

Mr Robert Torricelli, another member of the committee was heavily critical.

"For a large man, Senator Thomson has crawled out on a very narrow limb, and it's a long way back. I was very surprised by his statement," he said.

For the White House, Mr Sandy Berger, the national security adviser, was more circumspect, "There are a range of allegations and while they are under investigation by competent law enforcament authorities we're not in a position to either reach a conclusion or to comment on them," he said.

But privately, administration officials were reported to be annoyed by Mr Thompson's remarks.

He was said to have exaggerated information given him in classified briefings from intelligence and law enforcement official.

What seems to have been behind the allegations was a high-risk and partisan gamble aimed at lifting the committee's proceedings above the popular cynicism about political funding.

Since the revelations about President Clinton's dubious fund-raising techniques first surfaced late last year Democrats have done a good job of demonstrating that such improprieties are not the exclusive preserve of their party.

Republicans hava clearly been guilty of equally improper behaviour, rising money from dubious sources in Hong Kong and elsewhere.

By alleging something far more egregious – that the Whits Housa's obsession with funding made it wittingly or unwittingly the tool of a foreign power – Republicans hope to regain the political initiative.

For them to succeed, Mr Thompson and his colleagues will need to demonstrate soon that there is more to their allegations than mere theatrics.

Million lives disrupted by Colombian violence

Nearly a million Colombians have been displaced by violence in the past 12 years, but only in the past year have sudden mass migrations of thousands at a time highlighted the internal refugee problem.

Families who have walked for a month along tracks through north-western forests are camped outside coastal towns, after abandoning their houses and crops because of threats and killings.

Displacement patterns are closely related to areas of guerrilla and paramilitary conflict. The authorities estimate guerrillas operate in more than half Colombia's municipalities, while paramilitary and self-defence groups have expanded into more than a third of them.

As the violence spreads from the north-western region of Uraba to new areas, so the number of internal refugees increases. A atudy by one non-government organisation estimates 184,000 people were displaced last year.

The hattle for territorial control between the military, the guerrillas and the paramilitary pnts peasants, indians and other civilians in the crossfire. Peasants forced into collaboration by one side may be murdered or have their bomes burned by another armed group.

Often the circulation of "blacklists" of names following the killing of several people as an example is enough to send families fleeing with whatever they can carry. Some 5,000 have left small towns in the sonth of Bolivar Department in the past few months, converting such places as El Salao into ghost villages.

"In the past, individual families were displaced; those people don't report their situation to anyone, so it is difficult to calculate tha exact dimensions of the problem," said Mr Juan Manuel Bustillo of the Support Group for Displaced People. "These new emigrations are part of the paramilitary strategy; threats are made and wbole villages abandoned.

"One of the main points of the proposed law is to freeze land ownership in such areas so the land can't just be taken over or bought at ridiculously cheap prices." The new law, which has passed Congress and now awaits presidential signature, is important, says Mr Bustillo, because it would generate longer-term state policies for dealing with internal refugees. The government recognises the problem, but resources and personnel are limited.

As violence spreads, so the number of internal refugees increases

Apart from a group of about 300 refugees who fled over the Darien border to Panama, most people do not move far. But distance makes no difference to disruption. One study showed 69 per cent had bouses and 40 per cent were employed in agriculture before leaving home. Afterwards, the majority lived in slums and a third worked as street sellers or had no job.

"The worst aspect is the breaking up of the social fabric, particularly as community leaders are often involved," said Ms Fanny Uribe, a sociologist.

"We are seeing new forms of displacement now. Within Bogotá and Medellin, families are forced to move from one neighbourhood to another, because of 'social cleansing' groups."

Non-government organisations are actively promoting resettlement programmes but the internal refugees are frequantly rejected by communities that already have employment, housing and service problems, on the grounds that the newcomers may be a burden or cause trouble. Some peasant leaders are pursued as far as Bogotá or Medellin by the paramilitary.

One group of 30 families was allotted farmland in Cundinamarca Department by the state agrarian reform agency only to have it invaded by local peasants who claimed they had more right to the land than displaced families.

Immediate prospects for reducing displacement are bleak: the guerrilla movements have been smuggling in weapons and may have up to 15,000 combatants now. Paramilitary units are growing stronger as officially recognised self-defence co-operatives known as Convivir also arm and become embroiled in tha domestic war.

"Public order" zones where the Colombian military have special powers similar to state of siege have been extended to cover large parts of the northwest and the sontheast of the country.

Attempts by Congress, the private sector and the government to revive peace talks have met a definitive "No" from the biggest guerrilla movement, the revolutionary armed forces of Colombia. The Colombian military seems unconvinced too.

Sarita Kendall

Stunned PRI plans shake-up

By Daniel Dombey in Mexico City

Mexico's ruling Institutional Revolntionary Party (PRI), reeling from the worst electoral losses in its history, plana to respond to its defeat with a big internal shake-up, a top party official said yesterday.

"We cannot have democracy on the outside, with fair elections, without having democracy within the party," said Mr Estéban Moctezuma, the PRI's technical secretary and one of the leading modernisers within the party.

The PRI's leader, Mr Humberto Roque Villanneva, is not expected to remain in his post much longer.

Final results have yet to be announced, but PRI leaders acknowledged that for the first time since it was founded 68 years ago the party had lost its absolute majority in the lower house of Congress.

PRI officials said the party probably won 236 seats of the Chamber of Deputies' 500 seats. The party also lost at least two governorships and the mayoralty of Mexico City, as voters switched to the opposition in protest at economic hardships and corruption.

In the past tbe PRI has operated more as a patronage organisation guided hy the president of the day than a political party. But Mr Moctezuma said that, under his proposals, the party would democratise itself, holding primaries for party nominations to elected office. It would also distinguish its policies from those of the president, while supporting general principles such as economic liberalisation and free trade.

It is unclear how mnch of the party hierarchy will support such changes, particularly because the PRI performed best in tbe poorer sonthern states where the old party machine dominates.

NBC rejects TV action plan

By Mark Suzman in Washington

The US government has taken steps to provide further protection for children from unsavoury television programmes by agreeing a new ratings systems with most big networks and cable stations.

The system will require more detailed information about content ranging from possible sexual innuendo in dialogue to violence by cartoon characters. At a White House signing ceremony held yesterday Vice-President Al Gore hailed the deal, calling it a victory for families.

The voluntary agreement, which snbstantially toughens a six-month-old experimental rating system, immediately ran into difficulties when NBC, one of the big networks, said it would not adhere to the naw provisions.

NBC said the industry had "capitulated" to political and special interest pressures. "There is no place for government involvament in what people watch on television," it said.

Actors and directors also oppose tha agreement, citing concerns about free speech. The Screen Actors Guild and Directors Guild of America have said they may consider filing a law suit against tha new ratings.

But Senator John McCain, one of the architects of the deal, said it provided key protection for families concerned about the effects of television. "I think this is a great victory for parents," he said.

In terms of the new agreement, from October 1, the existing ratings will be supplemented by the letters "V", "S" and "L", referring to violence, sex and offensive language, which will be flashed on the screen for 15 seconds at the beginning of every programme.

Brasília wins crucial vote on budget cut

By Geoff Dyer in Brasília

The Brazilian government has won a narrow but crucial victory in its long-running battle to cut its budget deficit.

The lower house of Congress rejected an opposition amendment which would have struck down an article in the bill which allows the government to sack incompetent workers and to lay off workers if payroll expenses exceeded 60 per cent of revenues.

Economists estimate that this article accounts for two-thirds of the potential savings from the bill.

The government mustered 309 votes against the amendment late on Wednesday evening, one more than was needed to defeat it.

Government whips had delayed voting on this vital amendment for two months, fearing that they would not get sufficient support in Congress.

However, before the bill is passed, it must be voted on again in the lower house and in the Senate.

The civil service bill and a bill to restructure the social security system, both involving changes to the constitution, are the central parts of the government's strategy to reduce its fiscal deficit.

This deficit was 6 per cent of gross domestic product last year and is the biggest threat to the government's anti-inflation policy.

Passage of the bill would also help ease the fiscal crisis of many state governments, some of which have to pay nearly 100 per cent of revenues in wages.

In the north-eastern state of Alagoas, many state employees have not been paid for several months and the federal government has been forced to intervene in its administration. Ths police have gone on strike in two other states demanding higher wages.

Economists estimate that the savings from the civil service bill could amount to the equivalent of 1 per cent of gross domestic product.

The benefits are not expected to come through immediately as politicians are unlikely to lay off large numbers of workers in the run-up to next year's elections.

President Fernando Henrique Cardoso said this week the bill would "allow the state to stimulate a level of service compatible with the sacrifice made by tax-payers".

Changes to the constitution, such as the civil service reform bill, require a three-fifths majority in two separate votes in both the lower house and the Senate. In addition, the opposition can propose a number of amendments to the bill, which must also be defeated by a three-fifths majority if it is to pass.

Judge scorns 'shameful' fees in Maxwell case

By John Mason, Law Courts Correspondent

Fees charged by accountants and lawyers handling the receivership of the personal estate of the late publisher Robert Maxwell were condemned as "shameful" by a High Court judge in London yesterday. He made the criticism because the fees would swallow virtually all the assets recovered.

Although £1,672,500 ($2,820,000) has been realised by the receivers, the bills submitted by accountants Buchler Phillips and law firm Nabarro Nathanson total £1,628,572, leaving just £43,928 for creditors. Mr Justice Ferris said the figures were "profoundly shocking". He continued: "I find it shameful that a court receivership should produce this result."

In an unprecedented move, he ordered a review of Buchler Phillips' costs of about £923,000 by the court's "taxing master", an official who normally examines lawyers' bills. This is the first occasion when he has examined accountants' fees.

Mr Peter Phillips, chairman of Buchler Phillips, said afterwards: "The winding up of the Maxwell estate and the affairs surrounding the business empire of the late Robert Maxwell was one of the most complex undertaken this century to identify and track down assets. Despite considerable efforts in good faith to investigate the identity and whereabouts of assets the funds eventually left to the estate proved to be minimal".

Nabarro Nathanson, whose fees totalled £705,000, denied acting in bad faith but said the case had been highly complex. After the tycoon's death in 1991, there had been speculation about his personal fortune which had to be investigated, a spokesman said.

The judge said there had been considerable recent concern about the high level of professional fees in insolvency and receivership cases and a perception that lawyers and accountants were subject to few controls.

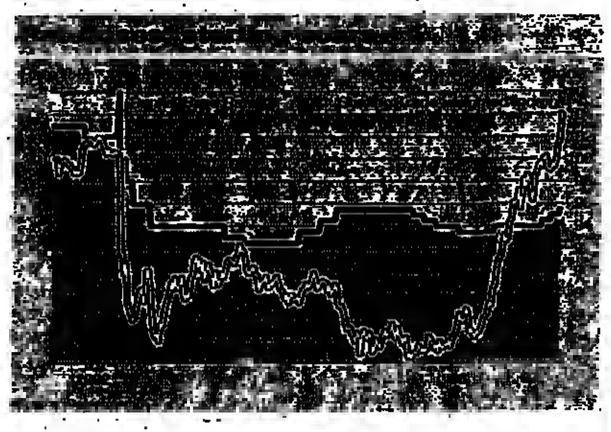
While private sector accountants could expect to be paid more than public servants, the £49 per hour charged by the Official Receiver compared "risibly" with the £270 per hour charged by Buchler Phillips, he said.

He was "greatly troubled" by the size of the Nabarro Nathanson bill. "These inevitably raise questions in my mind as to the necessity of using the services of solicitors to such a great extent and as to the solicitors rates of charging."

The judge's comments were welcomed by the Society of Practitioners of Insolvency. Mr Brendan Guilfoyle, president, said: "We strongly agree that our renumeration should reward value – not just indemnify cost."

Central bank raises base rate to 6.75%

By Robert Chote and Christopher Brown-Humes in London



The Bank of England, the UK central bank, raised interest rates for the third successive month yesterday, prompting business groups to blama Mr Gordon Brown, the chancellor of the exchequer, for letting consumers off too lightly in last week'a Budget.

The Bank's monetary policy committee voted to raise base interest rates by a quarter of a percentage point to 6.75 per cent, the highest level since 1995. Economists believe there are more rises to coma as tha Bank tries to forestall a consumer boom.

"This increase is the inevitable consequence of a Budget which made inadequate use of fiscal measures to subdue consumer demand," said Mr Ian Peters, deputy director-general of the British Chambers of Commerce.

Mr Adair Turner, director-general of the Confederation of British Industry, the country's largest employers' lobby, said: "We would stress that further interest rate rises in the short-term would be unwelcome." He said sterling's strength was hurting exporters.

The pound fell following the rate rise, which was in line with City analysts' expectations. It closed at DM2.956, down 1.4 pfennigs from Wednesday's close.

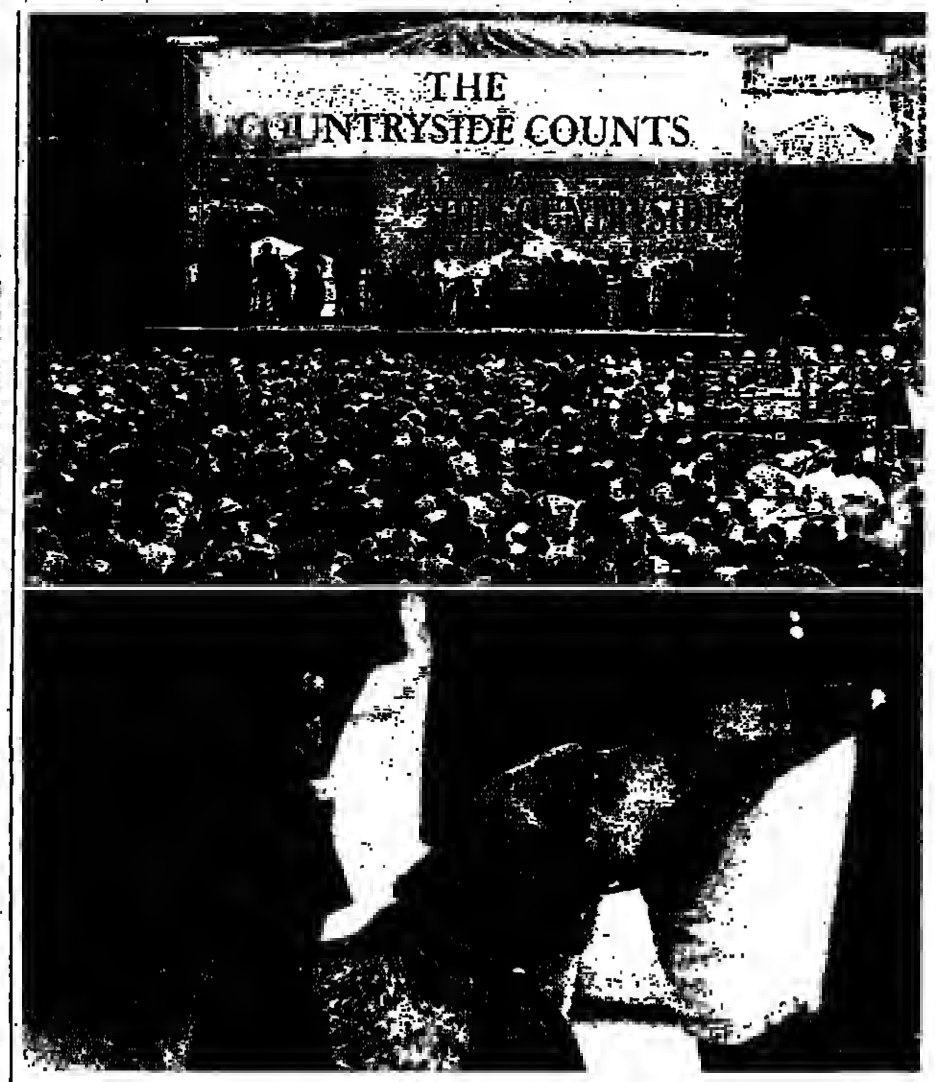
The monetary policy committee said it had raised rates because the economy could not sustain continued growth at well above its long-term trend rate. The chancellor gave the Bank "operational independence" to set interest rates in May.

"The latest month'a evidence – notably the upward revision of estimated output growth in the fourth quarter of 1996 and recent developments in monetary growth and retail sales – indicated that a further tightening of monetary policy was necessary, notwithstanding the further appreciation of the exchange rate and the contractionary effects of the recent Budget," the committee said.

Mr Brown said in the House of Commons that the previous Conservativa government had "negligently failed to tackle" inflationary pressures in the economy.

Mr Michael Saunders, at Salomon Brothers, predicted another quarter-point rise in rates next month. He added that 7.25 per cent rates, combined with a strong pound and tough budgetary plans, would slow the economy next year. But Mr Richard Jeffrey, at Charterhouse Bank, predicted 8 per cent base rates by the year-end.

Lex, Page 22



Brendan Corr

As thousands of hunt supporters converged on London yesterday for a picturesque rally to defend their sport, the government gave a firm indication that an anti-hunting bill would not receive any government time in the House of Commons, seriously undermining its chances of becoming law. The bill to ban hunting with hounds, promoted by an MP of the governing Labour party, was one of the main targets of the 100,000-strong rally

Brokers shift towards private screen deals

By John Gapper in London

British investors and brokers are shifting towards US methods for making private bids and offers for large blocks of shares over trading screens.

The move towards brokers sending private electronic messages to investors, offering to buy or sell blocks of shares, comes before the introduction later this year of electronic share trading.

It could reduce the amount of business in the public "order-driven" market due to be introduced on October 20.

Although the signalling of private bids and offers for big blocks of shares was expected by the London Stock Exchange to exist alongside order-driven trading, the use of screens instead of phones could strongly encourage the practice.

Datastream/ICV, the financial information company that will supply trading facilities to many brokers and investors, is to announce today that it is including a facility for brokers to make "indications of interest" to selected investors.

An "indication of interest" is a message telling a broker or investor that another one is offering to buy or sell a big block of shares away from the public order-driven market.

Tha trade is confirmed over public trading screens.

The move follows an agreement reached between AutEx, which is the leading electronic network for indications of interest in the US, and the financial information company Reuters, for AutEx data to be displayed on Reuters screens.

Large brokers are likely to prefer the private signalling of the fact that they hold large blocks of shares. Any public disclosure on order-driven screens could move prices against them before they had the opportunity to buy or sell.

The London Stock Exchange said yesterday it was not worried by the change to different methods because all trading would remain on the exchange.

However, there could ba concern if prices on the order book become unreliable through a lack of liquidity.

The private signalling of bids and offers is widespread on the New York Stock Exchange as part of "upstairs" trading.

It is largely conducted using natworks such as AutEx, which has links to 450 US institutions and 260 brokers.

Mr Tony Booth, business manager for AutEx in Europe, said that London brokers wanted to be able to conduct business on private networks, and to be able to display to the market that they were active dealers in particular shares.

Because the exchange's trading screens will show all bids, offers and deals anonymously, large brokers will lose their ability to show their activity.

Under the present system, marketmakers can display prices under their name.

Tha indications of interest given by brokers on ICV Topic trading screens will be routed to the investors that they choose and displayed alongside the public orders. Any investors will be able to respond electronically.

Minister urged to curb arms sales to Indonesia

By John Kampfner and George Parker in London

The government's pledge to inject a new moral dimension to British foreign policy came under pressure last night as Mr Robin Cook, foreign secretary, was urged by a leading East Timor activist to curb arms sales.

The meeting, the second in three months between Mr Cook and Mr Jose Ramos Horta, a Nobel Peace Prize winner for his human rights work, comes amid controversy over a planned shipment of a further 16 British Aerospace Hawk aircraft to Indonesia.

On taking office in May, Mr Cook immediately ordered a review of UK policy towards arms sales and human rights. The inquiry, which is being led by the Foreign Office, with defence ministry and trade and industry department input, is expected to be concluded by the end of the month.

The problem for ministers is that British Aerospace received an export licence to sell Hawks to Indonesia – one of the most controversial of recent years – from the previous government. Officials say the issue of retrospective licences will be discussed in the review, but acknowledge the legal difficulties of reneging on any agreement.

The review will establish new human rights criteria on determining arms sales – an area about which the governing Labour party argues that the previous Conservative administration was negligent. Bnt this will not include a blacklist of countries said to fall below the new standards set. Permission for each arms contract will be assessed on a case-by-case basis.

Mr Cook, in his meeting with Mr Horta, expressed concern abont armed conflict involving Indonesian troops and rebels in East Timor. He promised to continue raising human rights issues with Mr Ali Alatas, Indonesia's foreign minister.

During an acrimonious meeting in Hong Kong, Mr Alatas warned that Indonesia would find other suppliers if Britain linked arms sales to "extraneous issues".

Defence ministers are arguing for the Hawk exports to go ahead, on the grounds that there is no firm evidence the aircraft has been used for the purpose of internal repression.

Senior officials say ministers would oppose the sale of any products which might obviously used for torture or repression by the Indonesian regime, but Hawks did not fall into that category.

However the defence ministry said it was "very concerned" about the allegations that UK products might have been misused by the Indonesian regime, and that officials were making further inquiries.

British Aerospace has already supplied 44 Hawk aircraft to Indonesia since 1980, and the order for a further 16 aircraft was placed with the company in 1996.

BAe was adamant there was no justification for halting the sale: "We have no evidence whatsoever these aircraft have ever been used against the civilian population of East Timor."

The BAe plant at Warton in north-west England has been the scene of repeated demonstrations by human rights protesters.

Machine tool output set to fall

By Peter Marsh in London

Britain is this year expected to experience its first year-on-year fall in machine tool production since 1993, with a significantly worse performance than Spain, France, Italy and Germany.

According to Cecimo, the European machine tool industry trada association, output from the whole of the European industry will rise 2 per cent this year – with the UK seeing a fall in output mainly due to the effects of the strong pound.

Britain may see a fall in output of 3.2 per cent, while Spain will experience a rise of 6.3 per cent, and France an increase of 5.8 per cent.

Italian output is expected to rise 2.1 per cent, with Germany turning out 1 per cent more tools than last year – with all these changes measured in local currencies.

A positive point for Britain is that – even with the strong pound – its export performance this year is expected to be considerably higher than that of most other European countries.

Cecimo says that UK exports of machine tools will rise 9 per cent this year to £595m ($1bn) from £546m last year. This comes after an 18 per cent rise in exports in 1996 compared with 1995.

The strong export performance from the UK industry is explained partly by many companies being part of international groups with headquarters outside Britain and which are geared to serving markets such as sonth-east Asla where demand is rising strongly. More than half tha UK's production is estimated to come from non-British-owned companies.

This year, Germany is expected by Cecimo to see a 1 per cent fall in exports in local currency terms, Italy will seea 4.4 per cent increase and France a 3.6 per cent increase.

Spain is likely to turn in the next best export performance after Britain with an exports rise measured in pesetas of 7 per cent, according to Cecimo, which bases its forecasts on those from trade associations in its member countries.

Cecimo says profit margins in the sector across Europe will continue to be low at about 2 per cent of sales.

Britain's biggest machine tool maker is planning to beat the effects of the soaring pound with low-cost, "no-frills" products designed for export markets, Peter Marsh writes.

The UK division of US-based Cincinnati Milacron, which exports three quarters of its production, is forecasting a sales increase of 9 per cent this year in spite of the rise in sterling over the past 12 months.

The appreciation in the pound is the main factor behind the expected 3.2 per cent reduction in machine tool output in the UK forecast by Cecimo, the European machine tool industry trade association, this year.

Cincinnati is spending £3m ($5m) on developing a new range of machine tools with the help of its 70 suppliers, many of which the company has encouraged to cut costs through new manufacturing methods and machinery.

"We saw what was happening to sterling, and realised customers were not going to pay any more for our machines. We thought we had to do something," said Mr Malcolm Scarlett, Cincinnati's UK sales director.

Cincinnati is estimated to be the biggest manufacturer of machine tools in the UK, ahead of competitors such as Yamazaki Mazak of Japan and the 600 Group of Britain. Sales this year from its Birmingham factory in the English Midlands are estimated to be more than £100m (£92m last year).

Wheels come off, Page 20

Lloyd's regulator vows rule change

Christopher Adams, Insurance Correspondent

Mr David Gittings, director of regulation at the Lloyd'a insurance market, yesterday hit out at a system which in effect allows underwriters at the market to sqneeze Names off syndicates. Names are the individuals whose assets have traditionally supported the insurance market.

He described the rules governing certain business practices at Lloyd's as "illogical" and said he would do everything within his power to ensure they were changed.

His stance will set him at odds with some of the society's leading underwriters, several of whom have been trying to take full control of the syndicates which they manage at Lloyd's. The underwriters have recently made offers to buy capacity on syndicates from Names.

Buying capacity means buying the right to support business which syndicates write.

However, members' agents handling tha affairs of Names are concerned that their clients hava been treated unfairly by the underwriting community. One newly created agent, Aberdeen Underwriting, says the insurance market's depnty chairman, Mr John Charman, did not allow Names it took on with the acquisition of another agent to continue supporting his syndicates.

Aberdeen says that some of the Names are in effect being turned into forced sellers of capacity.

● Lloyd's yesterday announced the results of this year's first auction of syndicate capacity, which took place this week. It said £46.8m ($79m) of capacity was traded for a total value of £2.4m.

UK NEWS DIGEST

BA rivals put on extra flights

Rivals of British Airways are putting on more special flights from London during the three-day strike by many BA cabin staff.

Air France, which provided an extra flight from Heathrow to Paris Charles de Gaulle on Wednesday, said it was adding two more flights today to its 11 daily services. The two 94-seater aircraft would add 200 passengers to its usual daily capacity of 1,500. It said yesterday: "If we could have put on extra flights today, we would have."

British Midland has added extra flights to Frankfurt, Glasgow and Edinburgh. American Airlines said that it had experienced heavy demand for an extra daily flight from Heathrow to New York from Thursday to Saturday. Yesterday's additional flight had sold out as soon as it had been made available. Virgin Atlantic said it had managed to add an extra flight today from Heathrow to New York.

Easyjet, the low-cost airline which flies from Luton, to tha north of London, to destinations including Glasgow, Edinburgh and Amsterdam, said bookings were up 30 per cent on their usual level for this time of year.

Hogg Robinson, the business travel agent, said that it had started booking business travellers on alternative flights from last Thursday. But available airlines were filling up. *Scheherazade Daneshkhu, London*

Editorial comment, Page 21

■ CANTRADE HEARING

Three for trial on fraud charges

All three men said to be at the centre of an alleged $27m currency dealing fraud have been committed for trial at the Royal Court in the island of Jersey.

After proceedings lasting nearly two weeks, during which investors flew from around the world to give evidence of their losses, magistrate Mr Bob Day announced yesterday that there was a prima facie case to answer on all charges against former Touche Ross partner Mr Alfred Williams, and Mr Peter Stoneman, a senior manager with UBS's Jersey subsidiary, Cantrade Private Bank.

Independent trader Mr Robert Young, who carried out the currency deals through Cantrade that are alleged to have lost investors $27m, has already been remanded for trial. Mr Young and Mr Stoneman deny the charges while Mr Williams has reserved his plea. Cantrade itself faces 33 fraud charges in Jersey, the largest of the Channel Islands between England and France. *Philip Jeune, Jersey*

■ PROPERTY UNIT TRUST

Tax changes hit joint venture

Tax changes in last month's UK Budget have ended attempts to set up a new type of fund allowing pension schemes to invest easily in property. Property investment manager Dusco said it and joint venture partner, pension fund manager Hermes, would no longer launch the first listed property unit trust this month as originally planned.

The trust was expected to have been the first of a number of similar funds which would have created a UK equivalent of the US's highly successful real estate investment trust sector, which is worth around $90bn.

However, Budget reforms mean that pension fonds would no longer be able to reclaim 25 per cent of net rents paid through an authorised unit trust, said Mr Richard Bernays, a consultant to Dusco. This puts the trusts at a relative disadvantage, be said, because pension schemes would still be able to invest in property directly, or through unauthorised trusts, and receive the full level of income. *Jonathan Guthrie, London*

■ FARMLAND

Price fall of 20% predicted

Agricultural land prices continued to rise in the first half of 1997 in spite of a worsening outlook for farm incomes, according to the latest survey by Savills, the estate agents. But the risa across the country was only 1.1 per cent.

However, the firm predicted price falls of up to 20 per cent over the next two to three years. Mr Jim Ward, head of agricultural research at Savills, said: "Farmers are becoming increasingly nervous about the state of this market." He said there had been slight falls in valnes in eastern England and the Midlands, where arable farming predominates. *Maggie Urry, London*

RECRUITMENT

British Airways' staff dispute could harm its good reputation, says **Richard Donkin**

Perception and the reality gap

This week's strike action by cabin crew at British Airways is proving an uncomfortable reminder to employers that the UK trade unions are still capable of using their muscle.

Trade union militancy, dormant for so long, is re-emerging quite suddenly and BA is not alone among large employers facing potential industrial action. Trade unions at Barclays Bank are voting on a series of proposed strikes and an overtime ban against a new performance pay scheme.

The BA dispute, however, is at least following a traditional format. The Transport and General Workers' Union (TGWU) members are striking against plans to impose a new pay structure. Talks have broken down amid accusations from the union that BA has been inciting a strike with plans made well in advance to break any dispute by deploying replacement staff.

Observers may wonder how industrial relations at such a highly regarded company could have reached such an impasse.

The strike coincides with the publication of the results of a survey of UK graduates' preferred employers carried out by Universum, a Stockholm-based media and communications company which questioned 2,764 students in 33 UK universities.

When the students were asked which companies they would like to work for, BA topped the list, quoted by 13 per cent of the students, followed by Andersen Consulting and Marks and Spencer, the retailer.

It seems unfortunate that at a time when BA could be celebrating its potential to attract the cream of the country's graduates, some of these students may be considering whether there is something of a gap between perception and reality.

If BA is successful in containing the action or reaching an early settlement, it should preserve its reputation as the world's favourite airline.

In the meantime, it might be tempted to keep one eye on the internet.

Neither BA nor the TGWU has specifically exploited the internet to put forward their arguments, although BA has a reference to contingency arrangements on its web site. But the potential for industrial action on the internet should not be underestimated. Intel, the US computer chip manufacturer, is facing a co-ordinated campaign by a number of employees and about 200 former employees centred upon several web pages outlining their grievances in detail.

The nature of the campaign means that it is not restricted to employees. Other interest groups have added their support to the protest organised by a group called Former And Current Employees of Intel (FaceIntel).

The group is alleging that the company used various types of discrimination, including age, in choosing people for redundancy. A number of the campaigners have filed civil suits seeking damages.

Central to the dispute is a rating system that compares individuals in a peer group. FaceIntel alleges that Intel used a "termination quota" in its performance rating system to weed out those not prepared to work long hours. Disabled and older workers were particularly affected by the policy, the group says.

Whether or not the actions are successful – Intel denies the allegations and says it has never used a termination quota – the damage potential seems clear. Moreover, the internet enables FaceIntel to circulate its campaign among Intel employees anywhere in the world, although the company has blocked staff access to the site.

How long will it be before many more industrial disputes are characterised by propaganda campaigns waged on the internet, and what are the potential consequences of such actions?

It is too early to pass judgment on such developments but personnel directors of companies facing industrial unrest may be advised to study the implications.

Popularity quest

The Universum survey found that Coopers & Lybrand, the accountancy group, was the most popular employer among UK business students, while British Aerospace was most favoured among engineering and science students. A third of the students said they preferred to work for multinational companies, attracted by the opportunity to work in other countries among other cultures and alongside employees of different nationalities.

Although more than half of those questioned were interested in companies offering foreign travel, there was widespread resistance to the necessity of international relocation.

When asked which industry they would like to work for, the largest percentage of replies favoured engineering (12 per cent), followed by management consulting (10 per cent) and media and information (9 per cent). Among the least popular sectors were consumer electronics and insurance (1 per cent each).

Loyally yours

It does not take a survey from Sanders & Sidney, the outplacement specialist, to conclude that employee loyalty in companies is on the decline, but it has done one anyway. It surveyed 280 individuals who had been outplaced through its offices and 100 human resource professionals.

An overwhelming 90 per cent of the employees said workplace loyalty had decreased, and most said the loyalty had broken down on both sides of the contract. This is not surprising given that each of the employees questioned had seen his or her own job disappear.

Perhaps the most interesting finding was a lack of acknowledgement by human resource managers of the decline in loyalty.

Some three-quarters of the personnel specialists interviewed said they thought loyalty in the business community had decreased by no great amount. Fewer than a quarter said it had decreased substantially.

In spite of the emergence from recession and better employment prospects, most employees thought the trend for decreasing loyalty would continue over the next five years.

The report also suggests that there has been a failure by managements to convince people of the necessity for redundancies, cited by most as a contributing factor to decreasing workplace loyalty. Three-quarters of the employees surveyed believed that companies could have avoided the decline had they not persisted with harder attitudes towards employees and job cuts. A smaller percentage of personnel managers believed the problem could have been avoided. Most of them pointed to an increasingly competitive business environment.

Another clue to the causes of declining loyalty was a perception among employees that their interests came second to those of customers. Almost half the human resources managers concurred with this, with just over half saying customers and staff were considered of equal importance.

What the report does not assess is the proportion of employers that still rate staff loyalty as important. The challenge in the workplace may be to convince management that staff loyalty is something to be prized. Such realisations only tend to emerge when managers find they are suddenly suffering an acute shortage of experienced staff.

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■ *The candidate should have a professional qualification (MBA) in accounting or business administration/management and must have worked for at least 5 to 7 years in an active trading environment or with a funds/asset management firm with a strong knowledge of equities (primarily US) and equity derivatives. Strong leadership qualities, ability/desire to work well within a team structure, excellent communication skills, both oral and written, and due diligence experience in critically analysing and probing performance of traders and fund managers are also essential. Position is Bahrain based and requires considerable travel; alternative location (New York or London) could be a possibility.* ***Ref. 97/T4.***

Treasury Manager

■ *The selected candidate will be required to formulate, manage and execute overall treasury policies in line with corporate objectives. The primary responsibilities include developing and executing the annual treasury plan which will encompass active management of FX and interest rates risks, active management of a money market book and managing overall liquidity funding for the organisation. Other responsibilities include advising the funds/asset management team of market developments by maintaining close links with market participants and conducting market research. The position, based in Bahrain, requires regional and occasional international travel.*

■ *The candidate must have 5 to 7 years experience in FX and money markets trading. Extensive and up to date knowledge/application of derivatives, good contacts in the financial markets and experience of exposure management are also essential.* ***Ref. 97/T1.***

Funds Risk Analyst

■ *The selected candidate, reporting to the Head of Treasury and Funds/Asset Management, will be responsible for proactively reviewing and monitoring a broad spectrum of risks associated with investments in a number of externally allocated portfolios in "hedge fund" type strategies and to monitor the performance of various funds. The primary responsibilities include quantifying and analysing risk exposures and recommending strategies to manage the exposures, preparing risk/performance analysis reports for the portfolio to senior management and funds management teams. Other responsibilities include assisting in development of risk policy and procedures and implementation of risk methodologies and systems and actively participating in the assessment and management of firm-wide risk management process.*

■ *The candidate should have a professional qualification in accounting or business administration/management with a strong financial mathematics background and must have worked for 3 to 5 years in risk management field with in-depth knowledge of financial engineering and risk management preferably gained in an investment bank. High level understanding of risk management models and use of Value-At-Risk analytics, strong analytical, statistical and quantitative skills, initiative, good communication skills, ability to work in a team-oriented environment and a strong background in PC applications are also essential. Position is Bahrain based.* ***Ref. 97/T5.***

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Given increasing demands on our resources, we are seeking an additional Senior Manager who can offer previous experience in this specialist area. This experience may have been gained from the transaction side (e.g. in a banking, broking, consulting or corporate role) or from the regulatory standpoint (e.g. as a regulator or compliance officer) but need not necessarily be UK orientated. A quick learner, you will relish the challenge of consulting work with some of the world's leading organisations. This requires that you will be a ready team player able to build relationships quickly and easily in often pressurised and highly sensitive situations. Given the international scope of our work and the likelihood of travel overseas, additional European languages would be an advantage.

Prospects for future development in this role are excellent. We will offer a range of employee benefits, including a flexible remuneration scheme which allows you to influence the shape of your total benefits package to meet your personal needs.

Interested candidates should send a comprehensive CV quoting reference number CM002, to:
Charles Macleod, Senior Recruitment Manager,
Price Waterhouse, 32 London Bridge Street,
London SE1 9SY.

Price Waterhouse

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

CORPORATE STRATEGY ANALYSTS

You can only profit from the experience.

to £35,000 plus car

Allied Domecq is looking for Corporate Strategy Analysts to participate in creating a small Group Strategy team reporting to the Chief Executive.

We are a £4.5 billion brand-owner and retailer in the FTSE100. In wines and spirits we are one of the largest players in a global industry. Our leading brands, Ballantine's, Beefeater, Kahlua, Courvoisier, and Canadian Club, are consumed in over 100 countries throughout the world. In the retailing portfolio our international businesses include Dunkin' Donuts and Baskin-Robbins. Our UK portfolio includes Victoria Wine and we are also one of the largest pub retailers with over 4,000 outlets including the leading brands Firkin, Wacky Warehouse and Mr Q.

Both these industries face intensifying competition and consolidation in which our successful performance is underpinned by our strengths in brand building and distribution. More specifically we are currently working through the challenges and opportunities presented by the proposed merger of two of our competitors in wines and spirits.

This is a very exciting time to join our Group Strategy team. The skills you will require are:-

- excellent academic qualifications (ideally a degree in engineering or economics)
- a high level of analytical ability and numeracy
- energy and good interpersonal skills

We would expect you to have worked for around two years after your degree either in a strategic consultancy or in a blue-chip organisation in an analytical role. Financial modelling experience would be useful.

If you would like to apply, please write with a full CV and current salary details to our advising consultant, Kate Harris, at Park Human Resources, 3 Portland Place, London W1N 4HR.

ALLIED DOMECQ

MANAGER – STRUCTURED TRADE FINANCE

Competitive salary + bonus + banking benefits • London

WHERE INNOVATION IS SECOND NATURE

The Royal Bank of Scotland's Corporate and Institutional Banking business is known for its forward-looking approach to meeting the needs of sophisticated corporates and major financial institutions. Nowhere is this more true than in Structured Trade Finance, which is a developing area of our operations supporting our corporate customers to assist them to win international contracts. The Manager will have an integral part to play in the department's continuing expansion.

Your role will be to co-ordinate the business development of the unit, marketing its capabilities to the medium and large corporate sector. This involves building on existing connections and identifying regular exporters who are not already customers.

To succeed, you will need to have around three years' experience in dealing with the top end of medium size corporate businesses on issues relating to trade finance, and have a track record in business development/marketing. Ideally, you should also be SFA registered, with knowledge of the Export Credit Agency and Forfaiting markets.

In addition to a competitive salary, we offer an excellent remuneration package that includes performance related bonus, profit share, house purchase and share option schemes, a non-contributory pension and relocation assistance where appropriate.

Please write enclosing a full CV to Melanie Fry, Human Resources, The Royal Bank of Scotland plc, Waterhouse Square, 138 - 142 Holborn, London EC1N 2TH. Fax: 0171 427 9933.

Closing date for applications: 21 July 1997.

The Royal Bank of Scotland

Committed to Equal Opportunities

Business Development Manager

c£50,000

Japanese Corporates

The City of London

One of the world's leading financial institutions with an important and highly successful branch in the City of London, is seeking a Business Development Manager to join their expanding Corporate Banking Department.

The department supplies corporate finance and treasury products to Corporate clients based in the UK. Your responsibilities would be to provide a relationship service, liaising between the the bank's Japanese Corporate clients and their specialist financial departments.

You must be of graduate calibre, an intelligent and highly motivated self starter who is, above all, a skilled and experienced banker who can make a basic diagnosis of each project, carrying out a thorough credit risk evaluation. A detailed knowledge of Japanese Corporates is also essential, based on sound practical experience, together with finely honed communication and negotiation skills, plus fluency in spoken and written Japanese and English.

It will fall on you, as the bank's ambassador, to maintain its good name and reputation.

This management appointment offers a suitably attractive remuneration and benefits package.

Please write in the first instance, enclosing your full CV to Martin Piper, Managing Director, Cavendish Advertising Limited, 120 Crawford Street, London W1H 1AF.

هكذا من الاصل

PROPRIETARY TRADING COMPANY

OPERATIONAL CONTROLLER

BERMUDA — **EXCELLENT PACKAGE, TAX FREE**

This Bermudan based company invests in the international financial markets on a proprietary basis in a similar fashion to a Hedge Fund.

Its success is founded on a dynamic and entrepreneurial attitude to business which has attracted top calibre professionals to the unique working environment of Bermuda.

An exceptional opportunity has arisen for one individual to join the accounting and trader support team that co-ordinates the daily profit and loss accounting, product price verification, settlement procedures and other ad hoc work. Systems development and other reporting enhancements that will be effected by the pace of change in the international capital markets will also form part of the role. In this respect, candidates with experience of database systems will be of particular interest.

Suitable candidates are likely to fit the following profile:

- a minimum of 4 years experience in the middle or back office of a securities firm, hedge fund or bank
- knowledge of the accounting, settlement and pricing procedures for FX, bonds, equities and other derivative products
- graduate calibre with a high level of numeracy
- subsequent qualification relevant to financial services (eg ACA, CIMA, ACCA, SFA, MBA)
- a creative and visionary approach to business with a high level of motivation

If you have the necessary prerequisites and the ability and willingness to relocate to Bermuda, please contact Michael Clarke or Zoe Walkington by sending a detailed CV, stating current salary remuneration to them at: **Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE** or fax on +44 171 915 8714 or E-mail: michael.clarke@robertwalters.com or zoe.walkington@robertwalters.com

ROBERT WALTERS ASSOCIATES

FS30891

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

US GLOBAL INVESTMENT BANK

FINANCIAL PRODUCTS SALES

LONDON — **£ COMPETITIVE SALARY + EXCELLENT BENEFITS**

This successful company is a market leader in global investment banking and securities. The company serves both suppliers and users of finance around the world providing capital - raising services, developing and offering innovative financial products for a wide range of institutional clients.

An opportunity has arisen for an exceptional individual to join a specialist team within this organisation. Forming part of a comprehensive sales force responsible for numerous high quality financial products, the team provides stock indices information to investment managers in the UK and Pan-European markets.

The successful candidate is likely to be working for a leading financial institution or a financial information services company and will be able to demonstrate the following:

- At least a three year proven track record in a demanding sales environment
- A genuine interest and an in-depth understanding of UK and European equities, in particular performance measurement
- The ability to develop and and maintain strong working relationships
- Exceptional communication and presentation skills, both verbal and written
- The ability to work under pressure and meet deadlines
- A strong academic background
- The ability to speak a second European language, preferably french, is essential

This is an exciting opportunity for an individual to join a market leader with an outstanding reputation for providing long term career progression.

If you have the necessary pre-requisites, and believe you have what it takes to develop your career in this dynamic and exciting international business please contact **Sonia Thomas at Robert Walters Associates** by sending a detailed Curriculum Vitae stating current remuneration to **10 Bedford Street, London WC2E 9HE. Tel: 0171 379 3333.** Fax: 0171 915 8714. E-mail: sonia.thomas@robertwalters.com

ROBERT WALTERS ASSOCIATES

FS30891

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

Careers for Structured Finance Professionals who believe in success

EXCELLENT SALARY AND BENEFITS PACKAGES
HALIFAX AND LONDON

Our conversion to plc status has enabled the Halifax to become one of Britain's top 4 banks. No financial institution in the UK is more strongly rated than the Halifax. We are committed to future growth and success in existing and new markets and these challenging roles offer you the opportunity to make a major contribution at a critical time in our development.

GROUP TREASURY
STRUCTURED FINANCE

One of our main business platforms with £20bn assets, Group Treasury is a major participant in sterling money, interest rate markets and segments of the commercial lending markets. It's a dynamic and changing environment where our objective is to strengthen key parts of the Treasury team.

HEAD OF STRUCTURED PRODUCTS

A unique opportunity to lead and develop a team of specialists in the fields of securitisation and structured product design and delivery. Reporting to the Director, Capital Markets, you will develop financing solutions for the Halifax Group and a range of existing corporate customers. In addition, you will develop solutions required in support of Project Finance and evaluate complex investment opportunities in the structured capital markets.

You will be highly experienced in delivering structured finance solutions as part of a project team. You will have attained at least graduate status with an additional professional qualification being an advantage. *(Ref HSP).*

HEAD OF COMMERCIAL PROPERTY FINANCE

Your role will be to lead the development and implementation of a market strategy resulting in a substantial programme of funding for the commercial property sector. Our target markets are principally healthcare and residential and commercial investment property and your contribution will enable the Halifax to achieve significant expansion in these markets.

A graduate and/or professionally qualified eg. ACIB, you will be an experienced corporate banker with extensive knowledge of both the corporate and public sectors gained within clearing and/or merchant banking environments. An extensive network of city contacts in the banking, legal and accounting professions will be allied to a track record of negotiating, structuring and winning profitable business. *(Ref CPF)*

BUSINESS DEVELOPMENT MANAGER

You will be an important member of a small, dedicated team, reporting to the Head of Commercial Property Finance, addressing the commercial property markets.

You should have a professional qualification or finance related degree and at least five years' practical experience of secured lending. You will have good working knowledge of mortgage documentation, housing and property law and the ability to prioritise your workload in order to fulfil customers' requirements. Credit analysis skills and experience are also essential. *(Ref BDM)*

SENIOR MANAGER PROJECT FINANCE

Your brief is to win funding mandates, structure and complete project finance transactions which will initially address projects arising from the Government's Private Finance Initiative and other major UK infrastructure projects. It will be up to you to deliver a consistent deal flow by working with senior personnel in the banking sector, major accountancy firms, the building industry and other partners.

With at least five years' experience of marketing, structuring and negotiating complex financing deals, you will probably be working in a major bank within their Project or Corporate Finance teams. Knowledge of bond financing and capital markets is particularly desirable. Highly energetic and self-motivated, you will have the maturity and presence to work effectively as part of project teams which will include senior personnel from other financial services and construction sectors. *(Ref MPF)*

MARKETING EXECUTIVE - LEASING

Your primary objective will be to manage the sourcing and generation of large value leasing transactions. Working within a dedicated marketing team, close liaison with internal departments and senior management will be an essential element of the role.

Professionally qualified and/or a graduate, you must be able to demonstrate a substantial track record in the marketing and negotiation of large value leasing transactions. You must possess proven analytical skills and be fully conversant with current lease evaluation techniques. Experience in structuring complex tax driven financing transactions and negotiation involving external legal and tax advisers will be allied to credit and risk evaluation capabilities and good presentation skills. *(Ref MEL)*

For all posts the salary and benefits packages will reflect your skills and experience and will not be a barrier to the right candidates. A comprehensive range of benefits includes relocation assistance where necessary.

To apply, please send full CV including salary expectations to Mrs P Gray, Head Office Personnel, Halifax plc., Trinity Road, Halifax, West Yorkshire HX1 2RG.
Please quote the reference of the post(s) you are interested in.

HALIFAX

Equal opportunities for all - our policy is as simple as that

Senior Risk Manager

Hong Kong

HK$ Excellent Package

Our client is one of the world's leading investment banks with a strong credit rating and is currently experiencing growth across all its core businesses in the Asia Pacific Region. As a result of this expansion, a need has arisen for a Senior Risk Manager to play a pivotal role in monitoring risk in their equity and equity derivatives operations throughout the region.

This high profile role calls for someone with exceptional intellectual and intercommunication skills. Interfacing with the traders and liaising with many functions in the bank, the person will need to be able to assess potential risks of derivative instruments in the context of a commercial environment.

Naturally extrovert, you should possess a good first degree and preference will be given to candidates with both strong quantitative and finance theory backgrounds. You will already have gained experience in equity or fixed income derivatives and will probably currently be a risk manager, product controller or derivative trader. In addition, you will be highly computer literate with strong analytical skills. Career prospects within this global organisation are excellent.

Interested applicants should fax their CVs to Hugh Everard, quoting reference HE113 on 00 852 2918 1001 or write to him at Michael Page International, 601 One Pacific Place, 88 Queensway, Hong Kong. E-mailmpagek@ibm.net.

Michael Page International

International Recruitment Consultants

London Paris Amsterdam Dusseldorf Frankfurt Madrid Hong Kong Singapore Sydney Melbourne

Portfolio Manager

Saudi Arabia

Tax Free Salary + Accommodation + Car + Bens

Our client is the President and principle shareholder of a number of international trading and investment companies based in Saudi Arabia and Dubai.

The substantial growth of business activities and the global investment portfolio has resulted in the requirement for a Portfolio Manager to report directly to the President.

Responsibilities of the position will be to:
- Formulate investment strategies with the aim of optimising return on assets and increasing the value of assets under management.
- Monitor and control the investment portfolio of stocks, mutual funds, short and long term deposits.
- Develop a comprehensive research facility through the relationships with international banks and advisors.
- To present proposals supported by accounts and financial analysis for buy or sell recommendations within the portfolio.

The successful candidate will be professionally qualified with a proven track record of success in international fund management. The individual must be able to display sound analytical skills, with the maturity and experience to undertake a very responsible position within the organisation.

Interested candidates should forward a comprehensive curriculum vitae outlining current remuneration details quoting reference 349656 to Peter Gerrard at Michael Page, Page House, 39-41 Parker Street, London WC2B 5LN or fax +44 171 404 6370.

Michael Page City

International Recruitment Consultants

London Paris Frankfurt Madrid Hong Kong Singapore Sydney

Our client owns and operates in a Joint Venture the world'e largest Telecommunications Network. The Network spans over 200 countries and provides seamless international communications to business customers. The company offers e Desktop to Desktop service to enterprises through its three major divisions, Network Services, Network Integration and Software Development. The company is planning an initial Public Offering, possibly in both New York and Europe in 1998/1999. To prepare for and support this initiative, the company wishes to further increase its finance team and recruit a number of high calibre individuals to be based in either the UK, Ireland or The Netherlands. The individuals will fill a number of specific positions, managing the complex accounting and control of this worldwide Group, with almost 100 entities in over 50 countries around the world. We would expect these individuals to grow with the Group and take on new and expanded roles and challenges over the next few years. Salaries will be competitive in the relevant country.

Budgets & Planning Manager

Salary US$85,000 + Bonus + Car

Tasks and responsibilities:
- Oversee production of consolidated financial budgets and business plans for the Group.
- Produce Board briefings.
- Manage rolling forecasts.
- Ensure compliance with financial targets of group with regard to lending covenants.
- Ad-hoc analysis in preparation and support of IPO

Profile of the suitable candidate:
- US GAAP experience essential.
- IPO experience highly desirable.
- 10 years financial management/planning experience in high growth entities.
- Strong modelling skills.
- Good management skills.

Contact Joost Fortuin, quoting reference JF/48975

Methods & Procedures Implementation

Salary US$50,000 + Bonus + Car

Tasks and responsibilities:
- Complete the drafting of the finance manual, covering methods, policies and procedures.
- Project manage the implementation of the manual through the three divisions.
- Ensure the implementation of this manual through the audit process.

Profile of the suitable candidate:
- Degree or accounting qualification.
- Four years post qualification experience in a multinational corporation.
- Knowledge of US GAAP.
- Interface with audit function.

Contact Joost Fortuin, quoting reference JF/48851

Divisional Controllers

Salary US$60,000 + Bonus + Car

Tasks and responsibilities:
- Control, consolidate and report on subgroup accounts and prepare statutory accounts for the multi-currency, multi-entity companies.
- Control complex intercompany accounting process.
- Control of settlements between subgroup entities.
- Oversee the completion of statutory returns and filings.
- Oversee recovery of taxes due.

Profile of the suitable candidate:
- European university degree in finance/accounting or ACA/CPA or equivalent.
- 5-7 years post qualification experience.
- Experience of tax/treasury.
- Detailed working experience of US GAAP accounting.

Contact Joost Fortuin, quoting reference JF/48697

Planning Analyst

Salary US$50,000 + Bonus + Car

Tasks and responsibilities:
- Be 'process owner' for the preparation of the annual budget, quarterly rolling forecast and the long range plan of the company.
- Develop e package of company financial information and analysis for presentation to the Board in relation to the annual budget, quarterly rolling forecast and the long range plan.
- Develop and maintain a long range planning model for use in the business plan process.
- Continue to enhance and improve the budgeting process through process improvements, automation and enhance systems.

Profile of the suitable candidate:
- Accounting qualification CMA or ACA.
- 3-7 years industry experience in budgeting and analysis (preferably telecoms).
- Strong Excel modelling experience.
- Experience working in a multinational, multi currency environment.
- Creative problem solving ebilities using modelling tools.
- US GAAP experience desirable.

Contact Louise Wilson, quoting reference LW/48853

Financial Systems Manager

Salary US$60,000 + Bonus + Car

Tasks and responsibilities:
- Identify financial systems for the global group of companies operating in over 50 countries through up to 100 entities in many currencies.
- Ensure successful global project implementation.

Profile of the suitable candidate:
- University degree or equivalent, possibly also CA/CPA, but with strong systems bias.
- Proven experience in developing, managing and implementing financial systems on a global basis.
- US GAAP experience desirable.

Contact Joost Fortuin, quoting reference JF/48850

Financial Analysts

Salary US$50,000 + Bonus

Tasks and responsibilities:
- Participation in group consolidation.
- Intercompany reconciliation, follow-up and elimination.
- Participate in controlling the Group companies' statutory accounts filing.
- Liaise with senior management on external reporting issues.

Profile of the suitable candidate:
- A degree in accounting with 2-6 years relevant work experience in audit and/or in e multinational/multi currency environment.
- Proficient working knowledge of US GAAP and multi currency consolidation experience.

Contact Louise Wilson, quoting reference LW/48852

It is envisaged that applicants are aged up to 35 years, PC literate and fluent in English. They will have e pragmatic, hands-on, flexible approach to their work, with an aptitude for problem solving and working to deadlines.

If you are interested in applying for any of these unique opportunities, please send a detailed CV (in English) quoting the appropriate reference to either Joost Fortuin or Louise Wilson at Michael Page International, Gerrit van der Veenstraat 9, 1077 DM Amsterdam, The Netherlands. For further information please telephone them on 00 31 20 578 9444.

Michael Page International

International Recruitment Consultants

London Paris Amsterdam Dusseldorf Frankfurt Madrid Hong Kong Singapore Sydney Melbourne

THE SCOTTISH OFFICE

Appointments to Highlands and Islands Enterprise

We are looking for enthusiastic, independent-minded people with a background in senior positions in industry or training, or leaders of the local community in the Highlands and Islands to be Members of the Board of Highlands and Islands Enterprise. An ability to speak Gaelic would be useful but not essential.

Highlands and Islands Enterprise (HIE) is the Government-funded economic development agency for the Highlands and Islands of Scotland, established under the Enterprise and New Towns (Scotland) Act 1990. The Board consists of a Chairman, 10 appointed members and a Chief Executive. Highlands and Islands Enterprise has wide statutory powers to promote enterprise, training, environmental renewal and social development in the Highlands and Islands. HIE is responsible for a budget of over £75 million per annum.

A number of vacancies are likely to arise later this year. The Secretary of State for Scotland will make the appointments to Highlands and Islands Enterprise and wishes to be in a position to select from a wide field. These appointments will be made on merit and those appointed will be expected fully to support the aims of Highlands and Islands Enterprise. The appointments will be made on a fixed-term basis of up to 4 years with the possibility of renewal. It is expected that the appointments will commence on or around 1 October 1997.

Membership attracts a salary of £7,830 based on an estimated time commitment of 2 days per month.

If you are interested and would like further information, a job description and an application form please write to Rachel Sunderland, Enterprise and Tourism, The Scottish Office Education and Industry Department, 3G Victoria Quay, Edinburgh EH6 6QQ. All correspondence will be treated strictly in confidence. Applications to be submitted by 1 August 1997. Applications received after this date will not be considered.

The Government is committed to the principle of equal opportunities in making public appointments.

THE SCOTTISH OFFICE

Appointments to Scottish Enterprise

We are looking for a highly motivated individual with determination, drive and the ability to think strategically to be Chairman of Scottish Enterprise.

We are also looking for enthusiastic, independent-minded people with a background in senior positions in industry, training or services to the community to be Members of the Board of Scottish Enterprise.

Scottish Enterprise (SE) is the Government-funded economic development agency for the North-East, Central and Southern Scotland, established under the Enterprise and New Towns (Scotland) Act 1990. It also shares with The Scottish Office, responsibility for Locate in Scotland and Scottish Trade International, which are the Government's lead organisations for promoting inward investment and exports across the whole of Scotland. The Board consists of a Chairman, 10 appointed members and a Chief Executive. Scottish Enterprise has wide statutory powers to promote enterprise, training and environmental improvement. SE is responsible for a budget of over £460 million per annum.

There are two current vacancies on the Board including the Chairman and a number of vacancies are likely to arise later this year. The Secretary of State for Scotland will make the appointments to Scottish Enterprise and wishes to be in a position to select from a wide field. These appointments will be made on merit and those appointed will be expected fully to support the aims of Scottish Enterprise. The appointments will be made on a fixed-term basis of up to 4 years with the possibility of renewal.

The Chairmanship of SE attracts a salary of between £20,632-£41,264 assuming a time commitment of between 1 and 2 days a week (a lesser commitment would attract a lower salary); and Board Membership attracts a salary of £7,830 based on an estimated time commitment of 2 days per month.

If you are interested and would like further information, a job description and an application form please write to Rachel Sunderland, Enterprise and Tourism, The Scottish Office Education and Industry Department, 3G Victoria Quay, Edinburgh, EH6 6QQ indicating whether you are interested in the Chairman or the Board Members vacancies. All correspondence will be treated strictly in confidence. Applications to be submitted by 1 August 1997. Applications received after this date will not be considered.

The Government is committed to the principle of equal opportunities in making public appointments.

Institutional Fixed Income Sales New York, London, Dublin

Fixed Income/Relative Value broker desk seeks qualified individuals to join sales effort focusing on global Sovereign Debt & Derivative Securities such as exchange listed futures & options, cash governments & OTC options, swaps, swaptions, mortgage options, structured products, etc. This group is part of a major international AA rated bank with locations in Manhattan, Chicago, Dublin, & Paris. Relocation possible. Sales people with a book of institutional clients please respond.

Please fax resume to (212) 827-8228 (USA)

Senior Equity Market Analyst - Emerging Markets

A leading international bank requires a Senior Equity Market Analyst to join its global team of advisers in London, with responsibility for Latin America and Sub Sahara Africa.

The successful candidate must have:-
- at least 8 years relevant equity analysis experience covering both primary and secondary market issues, particularly in the geographical areas outlined.
- Experience of selling and distributing emerging market equities;
- Fluency in Spanish, English, French and Portuguese;
- Highly developed analytical/quantitative/computer skills;
- an MBA in Finance or another relevant discipline;

Salary up to £90,000 with guaranteed bonus subject to qualifications and experience.

Write to Box A5969, Financial Times, One Southwark Bridge, London SE1 9HL

INVESTOR RELATIONS CONSULTANCY

Fast growing, City based Investor Relations Consultancy requires energetic, self motivated Account Director.

You are likely to be between 30-40 and will have at least ten years' experience of corporate finance and/or institutional equity sales experience with a track record of direct public company contact at Board Level. Applicants must have a degree and be qualified as Registered Representatives.

Applicants should send a CV (with photograph) to:

A5971, Financial Times,

One Southwark Bridge, London SE1 9HL

SWITZERLAND INTERNAL AUDIT/ FINANCIAL CONTROL SENIOR MANAGER

Professional with many years varied multi-nationals experience, Swiss & Brit, working German & French, desires a challenging, senior position. Can travel widely from their Zurich office. Would consider project work or to relocate.

Ph 0041 (0)1 222 1580

NOMURA CAPITAL MANAGEMENT (UK) LTD

UK Institutional Marketing Manager

The impending merger between the Nomura Investment Management Company (NIMCO) and Nomura Investment Trust Management which will take place on 1st October 1997, will create a global entity with funds under management of c US$135 billion. As part of the drive to further develop UK institutional business, the group seeks a new marketing manager during this exciting phase.

The Role

- Marketing the group's investment products to:
  - UK Pension Industry
  - UK Local Authorities
  - UK Consultants
- Setting the UK marketing strategy and preparing presentations.
- Performing a client liaison role with existing clients.

The Candidate

- A strong combination of marketing skills and credibility within the UK pension fund industry.
- A minimum five years experience in marketing or managing UK institutional funds, with a proven track record in the field.
- First class interpersonal skills, self motivation and the ability to work as part of a small team.

This is a high profile opportunity within a progressive group undergoing considerable growth. The company can offer a highly competitive performance driven remuneration package and a full range of benefits.

Interested candidates should write quoting Ref: 445, enclosing a full CV to BBM Selection, 76 Watling Street, London, EC4M 9BJ including contact telephone numbers. All applicants will be treated in strictest confidence.

76 Watling Street
London
EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653
Fax: 0171-248 2814
E-mail: 445@bbm.co.uk

Helaba Dublin

Landesbank Hessen-Thüringen International

The Company
Helaba Dublin is an Irish bank established in the International Financial Services Centre in Dublin in 1990 and has a A-1+/AAA rating from Standard & Poor's. It is a wholly owned subsidiary of Landesbank Hessen-Thüringen Girozentrale („Helaba"), one of the top German banks with a balance sheet total of DM 175 billion.

DEPUTY MANAGING DIRECTOR

The Position
The position includes responsibility for all credit business and risk control of the company's trading activities as well as joint management of the subsidiary, reporting directly to the Board of Directors for specific areas of responsibility. You will be in regular contact with local authorities and correspondent banks. The Head of Credit and a qualified team of credit professionals will assist you with your duties.

The Person
The successful candidate will:

- have significant experience in international credits including complex structured finance, syndicated loans etc.
- have some experience with the control of trading risks
- be familiar with credit regulations including the German KWG
- have excellent skills in team leadership
- possess good communication skills
- be computer literate
- be fluent in both English and German

We offer a competitive remuneration package including performance related bonus, pension arrangements and the usual banking benefits.

Please send your CV in strict confidence to:

The Chairman of the Board, Helaba Dublin, Landesbank Hessen-Thüringen International
3 George's Dock, IFSC, Dublin 1

GLOBAL COMPLIANCE DIRECTOR

BASED IN SAN FRANCISCO — $150,000 + SIGNIFICANT BONUS

With operations globally and an impressive growth record, our client is the world's largest institutional asset management firm. It currently has over $400 billion in assets under management and now seeks a key individual to play a crucial role in its continued expansion.

You will be responsible for the management of the global compliance function with staff located in San Francisco, London, Toronto, Sydney, Hong Kong & Tokyo. The new Compliance Director will be leading a Compliance Group whose role is expanding and critical to the success of the business. You will ensure that the company is in compliance with all laws, rules and regulations applicable to an investment manager and fiduciary, including activities related to securities lending. As a Managing Director, you will have reporting responsibility to the Chief Counsel and the Board of Directors.

The successful candidate will possess the following profile:

- In excess of fifteen years experience either as a lawyer involved in financial services compliance activities or as a compliance officer (ideally with an MBA) in a bank engaged in investment management and capital markets activities.
- A minimum of ten years managing a department with responsibility for hiring, supervision of staff and all budgetary aspects.
- Experience dealing with international investment management regulatory issues (ideally IMRO) is also highly desirable.
- A forthright individual who understands the nuances of compliance issues and their implications for management across the businesses.

For the appointed candidate, an excellent compensation package is available, together with a comprehensive benefits package and relocation assistance where appropriate.

Interested candidates should contact **Graham King** on **+1 212 704 0596** or **Kurt Kraeger** on **+1 212 704 4248. Fax: +1 212 704 4312.** Resumes can be sent to **Robert Walters Associates, Inc., 1500 Broadway, Suite 2013, New York, NY 10036, USA.**

E-mail: graham.king@robertwalters.com or kurt.kraeger@robertwalters.com

ROBERT WALTERS ASSOCIATES

FS30091

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

DEPUTY COMPLIANCE OFFICER
FINANCIAL SERVICES

South West — **Attractive Salary + Car + Benefits**

Our client is one of the UK's most innovative investment houses with an enviable reputation in the creation and development of niche products and services for unit trusts and investment trusts. They seek to recruit a confident and energetic individual to maintain their exemplary track record with all regulatory authorities.

Reporting to the Group Compliance Officer, your role is to work closely with fund managers, sales and marketing specialists ensuring SRO regulations are adhered to. You will appraise management controls and undertake tests and checks.

The successful appointee will be of graduate calibre, with financial services compliance experience in an IMRO/PIA regulated environment. You will need an eye for detail, strong communication and diplomatic skills, along with the ability to work in a team.

This is an excellent opportunity to take a key role in a developing company and offers exceptional opportunities for career advancement. The comprehensive benefit package includes, relocation assistance.

Please apply with full career details to Robert Getting at Peter Bray Associates, 3 Blake House, Admirals Way, Waterside, London E14 9UF, Tel: 0171 538 5141 Fax: 0171 538 3953

PETER BRAY ASSOCIATES
EXECUTIVE SEARCH AND SELECTION

CONVERTIBLES ANALYST - LONDON NEW YORK

An exceptional opportunity for an ambitious numerate graduate within a major global investment bank. An exciting environment in which to work and learn.

THE PERSON

- Bright and energetic individual, with an established interest in the equities or derivatives markets
- Good first degree, an inquisitive mind and possibly an MBA
- Minimum of 6 months experience in equities, fixed income, forex, or credit areas and some knowledge of convertibles
- A strong IT orientation with experiance of Microsoft Office products

THE JOB

- After initial training in London the sucessful applicant will be transferred to New York and assume responsibility for the North American CB product
- As a member of a Global Convertible Bond team providing valuation, spreadsheet analysis and written research working in conjunction with the Global Head of CB Research
- Opportunity to progress rapidly within dynamic and motivated new team
- Very competitive remuneration package

Please reply enclosing your CV to James Blackwood or Simon Miles

RVL
INTERNATIONAL SEARCH AND SELECTION
54 GROSVENOR STREET
LONDON W1X 9FH
TEL: 0171 491 1112
FAX: 0171 409 1052

HEAD OF CORPORATE FINANCE

The Appropriate candidate should have:

- Sufficient skills and ability to organize business in the sphere of Corporate Finance in the Emerging markets
- At least 3 years experience of working in the sphere of investments banking
- Degree in Economics or Finance
- Skills in Financial Analysis

Please send your CV by fax 7 (812) 275 51 42
Our telephone: 7 (812) 275 52 50
Our address: The Empire F.H.C.,
Furmanova St. 3 Saint-Petersburg,
191187, Russia

METALS MARKETING ASSOCIATE
Based in London

The New York Mercantile Exchange is the world's largest and one of the fastest growing commodity futures exchanges. Our continuing success has created an exciting opportunity for an experienced professional with broad precious and base metals industry contacts.

As the Metals Marketing Associate, you will develop a marketing strategy and plan budgets for Europe. Responsibilities include identifying potential members/new market users of the metals exchanges to broaden NYMEX's and COMEX's visibility; coordinating seminars, conferences & special events; and maintaining trade press contacts. In addition, you will keep New York abreast of market developments, trends and other metals industry information in Europe.

To qualify, candidates must possess a proven track record of success and marketing experience in precious and base metals industries. Knowledge of futures and options as well as the brokerage community is desired. Superior analytical, communication and interpersonal skills are essential.

Please submit your CV in confidence to:

Mr. Daniel Carr
Vice President - International Affairs
NYMEX
35 Piccadilly,
London W1V 9PB,
ENGLAND.

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For further information please contact:
Toby Finden-Crofts
+44 0171 873 4027

Financial Times

EUROCONTROL

The European Organisation for the Safety of Air Navigation

seeks for its Headquarters in Brussels (Belgium) a (m/f)

DIRECTOR OF FINANCE
(ref.: AA/021/FT)

The Agency is seeking to find for this demanding position at the top level of a leading European Organisation a professional and executive finance Director who is • a CHANGE manager; • a good NEGOTIATOR; • with clear aptitude to LEAD.

Required are • a solid experience of integrated financial management and planning systems; • wide IT and systems experience; • good knowledge of French and English; • excellent interpersonal and presentation skills; • preferred age: 45 to 55 years.

An attractive international salary, including social security and pensions provisions is offered.

Application forms and further details may be obtained from EUROCONTROL, Recruitment Section, rue de la Fusée 96, B-1130 Brussels. Fax: 32.2.729.90.70 for enquiries only. Please quote the above reference number.

Completed application forms must reach the above address by 11 August 1997 at the latest. Closing dates are strictly applied.

CORPORATE FINANCE - ROMANIA

Our client, a major European Investment bank with a network of offices throughout Cenonl and Eastern Europe, is looking to expand significantly its corporate finance capabilities in Romania (assisted by the recent easing of restrictions on foreign investment in the country) by the recruitment of two corporate finance specialists to be based in the bank's expanding Bucharest office.

CORPORATE FINANCE MANAGER

The Position:

- Origination of domestic listings, IPOs and M & A advisory business with major companies in the Romanian market, implementing a sector driven strategy.
- Execution of the above transactions in conjunction with local office and Head Office assistance.
- Co-ordination between the local office and the bank's corporate finance sector specialists in Head Office.
- Marketing the bank's corporate finance capabilities to leading companies and governmental bodies.

The Candidate:

- Minimum of 3-5 years' M & A and/or equity capital markets experience, gained from working in a leading merchant/investment bank and/or management consultancy. At least some of this experience will have been focused specifically on Central and Eastern Europe.
- Previous experience in valuation and market analysis.
- Excellent communication and presentation skills to deal effectively both with prospective clients and with colleagues from a range of departments internally.
- A fluency in Romanian and/or one other European language whilst helpful is not essential.

Ref: 2198

CORPORATE FINANCE OFFICER

The Position:

- Structuring and execution of M & A and equity IPO transactions.
- Analysis of company accounts, preparing industry sector reports and running valuation models.
- Identification of prospective corporate clients both on the "sell" side in Romania and on the "buy" side (through co-operation with Head Office and local offices) in both Western Europe and elsewhere in Central Europe.
- Preparation of information memoranda, sales documents and presentations for clients.

The Candidate:

- Finance based degree and/or accounting qualification supplemented by a minimum of 2-3 years' due diligence/documentation experience for providing technical back-up on domestic and international regulatory requirements for equity new issuance.
- Good analytical skills coupled with modelling and valuation experience to stimulate innovative structuring ideas.
- Strong interpersonal skills with the ability to co-ordinate effectively both with prospective clients and with colleagues from a range of departments internally.
- A fluency in Romanian and/or one other European language whilst helpful is not essential.

Ref: 2199

Salt Chapman Associates

Both positions provide highly competitive salary and benefits packages including good bonus potential. Career prospects for the chosen individuals within this global bank, which has a strong commitment to the emerging markets, are considerable.

To apply, please telephone, or write to Neil Salt,
Salt Chapman Associates Ltd.,
International Search and Selection,
41 Dover Street, London, W1X 3RB
Telephone: 44-(0)171-493-1319 Fax: 44-(0)171-493-0835

OVERSEAS CFO

Rapidly growing diversified group of companies based in Jeddah, Saudi Arabia, seeks a dynamic CFO to join its executive management team. The candidate must be totally conversant with his own responsibilities, including strategic financial planning, management of financial contracts, evaluation, negotiation and financial reporting. He must have experience in banking negotiation, financial projections and budget preparation. It is important to have the necessary interpersonal and management skills.

We offer competitive salary within the comprehensive and stimulating environment of huge potential and a challenging task. Discretionary bonus commensurate with performance.

The resume should include salary history.

Applicants should fax relevant documents to +9662 697 0641

ING BARINGS

Acquisition Finance Executive

City *£ Fully Competitive*

ING Barings is one of the leading international financial institutions based in Europe. It provides a full range of advisory services in debt and equity capital markets, mergers and acquisitions and sales and trading of a wide range of financial instruments.

The recently formed Acquisition Finance Team, part of the Structured Lending Group, is seeking to develop its business in two main areas – M&A related financings and leveraged buy-outs. The team specialises in the provision of senior debt and high yield financings and often work closely with the corporate finance department in raising or restructuring debt on behalf of clients. The team is currently expanding its operations throughout Europe and due to this expansion is looking to recruit an additional executive. The role will be to help in the execution of mandates won by the team and will include detailed analysis, business valuations, spreadsheet modelling and documentation.

The ideal candidate for this demanding role is likely to be a newly qualified accountant or lawyer keen to move into acquisition finance, or a graduate who has already obtained experience within another institution and wishes to progress their career.

All candidates must be able to demonstrate

- Excellent academic background – 2:1 degree or better from a leading university
- Exceptional analytical, technical and communication skills
- Initiative, creativity and maturity.
- Personal achievement.

If you are commercially minded and an ambitious executive wishing to progress your career in an expanding team within this premier bank, you should write enclosing a full curriculum vitae to Sheila Milbank, Assistant Director, Human Resources, ING Barings, 60 London Wall, London EC2M 5TQ

Career Opportunities in Investment Banking

GRADUATE AND POST-GRADUATE ENTRANTS

£Competitive **Starting September 1997**

Nikko Europe Plc, the European investment banking arm of Nikko Securities, is rapidly expanding its international capital markets business, creating further deiand for high calibre graduates. As one of the world's leading investment banks wii an international network of offices in over 20 countries, Nikko provides rewardingind stimulating career opportunities to graduates who have a genuine interest inthe financial markets and are ambitious to succeed.

Graduates and postgraduates (PhD, MBA) are required for origination, trading, ad sales roles in both debt and equity products as well as risk management ad quantitative development roles.

Successful candidates are likely to have a first or 2:1 degree in mathematic, economics, engineering or finance related disciplines, completed in 1995, 1996 q due to be completed in 1997. High calibre Arts graduates will also be considered fo opportunities within capital markets origination. European languages are useful bu not essential. All candidates should possess excellent numerical, analytical anc presentation skills.

Please send a CV and covering letter to: Elizabeth Postill, Nikko Europe Plc. 55 Victoria Street, London SW1H 0EU.

NIKKO

Deadline for applications: 31st July 1997.

HEAD OF TREASURY

LUXEMBOURG

Our client is the Luxembourg Branch of a major European bank, part of a large international group. Due to the strong and successful growth of the Branch and the continuing development of their Private Banking activities, they are now looking to recruit a key member of the team.

The Position

- Manage the treasury position of the Bank on a daily basis.
- Trade actively in emerging markets debt instruments for client portfolios.
- Proactively manage and develop the Bank's products (FCPs etc) and all related investments and administrative relationships.
- Report directly to the Managing Director.

The Requirements

- First-class international treasurer, with at least five years' hands-on experience in trading.
- Strong background in treasury management, FX and Money Markets, derivatives and sophisticated treasury systems.
- Real team-player, able to work within a demanding and dynamic environment.
- Ideally aged 30 - 45 years. Fluency in English; Spanish/Portuguese would be an asset.

Interested in this challenge? Please reply in the strictest confidence, enclosing your CV to Serge Ceurvels. K/F Selection, 19 Côte d'Eich, L-1450 Luxembourg, quoting Ref: IT/FT. Alternatively send by fax on +352 46 43 45. E-mail: christif@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

Leading Investment Bank

MANAGEMENT/STRATEGY CONSULTANTS FOR GLOBAL SECTOR ANALYSIS

SIX FIGURE PACKAGES / CITY

Our client is a global market leader in investment banking and securities, with a reputation for delivering high value equity investment ideas to major financial institutions around the world. The Bank's global equity sector research teams are top ranked and amongst the leaders in their field. A number of management/strategy consultants are now sought to further increase analytical skills across a range of market sectors.

THE POSITIONS

- Senior and high-profile roles within global sector analysis teams. Use in-depth market sector knowledge to provide leading-edge strategic advice and stock recommendations to top investment institutions.
- Provide thought provoking analysis and recommendations on sector value drivers and competitive positioning. Considerable involvement in corporate finance.
- Further deepen the range of existing valuation and analysis criteria to include issues such as value-based management, enterprise value and competitive advantage.

THE REQUIREMENTS

- Record of success with leading Consultancy. In-depth knowledge of one or more market sectors; preference for financial services, retail/consumer, media, energy, utilities or healthcare.
- Experience of latest valuation and modelling techniques.
- Graduate, ideally with further business or professional qualification. Exceptional communication skills. Ability to work under pressure and meet deadlines.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 970701, to SHP Associates, Stratton House, Stratton Street, London W1X 5FE. Tel: 0171 753 3000. Fax: 0171 753 3010.

Dresdner Kleinwort Benson

Dresdner Kleinwort Benson is one of the world's leading, fully integrated investment banks and is recognised as one of the top global co-ordinators of international equity issues. Due to increasing levels of activity across all business areas Dresdner Kleinwort Benson is looking to recruit a number of high calibre personnel.

Candidates will have the drive and ambition to thrive in a business getting environment and will be excited by the challenges that the opportunity to join Dresdner Kleinwort Benson offers. Potential candidates will be able to demonstrate an excellent academic record and a high degree of motivation.

Corporate Broking

Corporate Broking is an integral part of the Dresdner Kleinwort Benson Equity Capital Markets activities. As a member of the Corporate Broking team, you will be involved in a variety of different projects and transactions ranging from flotations, equity raisings, M&A to generalist advisory work. Strong analytical skills will be key in structuring and executing activities.

Candidates will possess a minimum of four years' Corporate Broking or Corporate Finance experience to include functioning as a No. 2 on some financing or advisory transactions.

Investment Trust Specialist

Kleinwort Benson Securities is a specialist in all aspects of Investment Trust broking. The Trust Team is one of the most highly respected in London. Due to a sustained increase in the volume of corporate business, the Investment Trust Team seeks an additional member to work with its Corporate Stockbroking Director.

Candidates must possess Investment Trust experience, a high degree of numeracy, a sound academic background and the ability to work as part of a cohesive and highly successful team.

ALL POSITIONS ARE BASED IN LONDON AND OFFER A HIGHLY COMPETITIVE SALARY AND BONUS STRUCTURE.

For further information please contact in strictest confidence our Managing Consultants David Goodrich and Julian Davey at Bell Court House, 11 Blomfield Street, London EC2M 7JF Tel. +44 (0)171 628 0770 Fax. +44 (0)171 638 9667

Prime Executive

Group Credit Analysts

Flemings is an international investment bank with a network of offices in 41 countries worldwide.

We are recruiting credit analysts within the Group Credit area. Based in London and reporting to the Head of Group Credit, responsibilities will include analysing, monitoring and reporting counterparty credit exposures across all business areas of the Bank.

FLEMINGS

The successful candidates will be graduates with at least four years relevant experience in counterparty credit analysis across a broad range of Treasury and Structured Equity products. They will have both strong presentation skills and computer literacy and be able to handle a variety of tasks in a team environment. Experience in Asian credit markets would be a distinct advantage.

Please write in total confidence, enclosing a CV and covering letter, indicating current remuneration to:

Ann Marfy, Personnel Manager
Robert Fleming & Co. Limited
25 Copthall Avenue, London EC2R 7DR

Major US Investment Bank

Global Custody

City **£ Excellent**

Our client is a leading global securities firm and investment bank with an enviable reputation for innovation and enterprise. Strategic business expansion in the global custody treasury group has resulted in the need to hire a London-based individual to manage the provision of sterling cash management services for their clients.

Working as part of a global team, the position requires extensive interaction with four key areas – the Bank's clients, counterparties, various operating groups within the firm and other divisional cash management centres.

The right candidates will be managing a team of six people to deliver high quality customer service and to maximise product revenues. A P/L role, the successful candidate will be exposed to all aspects of the cash-management and custody business.

The ideal candidate will be a university graduate and have up to two years treasury experience, probably in cash management. An accountancy qualification or MBA would be beneficial.

Candidates must be self-starting, independent decision makers with a superior level of communication and numeracy skills. A team player, they will have a high level of integrity and commitment to take broad ownership of the product.

This is an outstanding chance for a genuine career opportunity. Candidates interested in these opportunities should contact Alex Cooper or Anne Tinsley at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2349. Fax: 0171 405 9649.

MP

Michael Page City

International Recruitment Consultants

London Paris Frankfurt Madrid Hong Kong Singapore Sydney

Package to attract the best *Premier UK Fund Management Group* *City*

Senior European Fund Manager

First-class opportunity for a successful and experienced fund manager to join this prestigious European team. The role centres around the management of one of the firm's flagship funds which has an excellent profile and long-term record. The group has substantial assets under management, an excellent reputation and is well-positioned for growth across the retail and institutional disciplines.

THE ROLE

- Take full responsibility for the investment management performance of this continental European fund, with regular travel to the region, reporting to the desk head.
- Contribute to broader country research and stock selection across the range of funds totalling £1.6 billion as an influential member of a team of four professionals.
- Play an active role in marketing to the IFA community and institutions.

THE QUALIFICATIONS

- High calibre graduate with at least 5 years' investment experience and a track record in managing a European fund within a blue-chip asset management firm.
- Proven investment record, combined with strong verbal and written communication skills with stature to present to clients.
- Confidence to debate investment strategy, succeed within a small collegiate team atmosphere and lead by example, deputising for others where necessary.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. XMZ1720771, 16 Connaught Place, London W2 2ED

LEADING US BROKERAGE FIRM

HEAD OF COMPLIANCE

Excellent remuneration package **LONDON**

Our client is a leading US brokerage firm, with over 3,600 offices in the US and Canada, who provides financial services to over 2 million individual investors. Founded in 1871, it is the largest brokerage firm in the US to serve individual investors exclusively.

Owing to the strategic growth of the business, an exciting opportunity has arisen for a high-calibre and dynamic senior compliance professional to join the newly established UK Headquarters in London.

The Position

- Supervise and develop the compliance function in the UK subsidiary of the US firm.
- Work closely with the Operations Officer to establish and maintain supervisory systems, to ensure compliance with all applicable rules and regulations.
- Review and approve new accounts, daily trades, advertising, and sales literature materials.
- Liaise extensively with the US Head Office Compliance and Field Supervision departments.
- Supervise the firm's personnel with respect to adherence to compliance procedures.

The Requirements

- At least 5 years' compliance experience within a banking or stockbroking environment.
- "General Representative" status with the SFA; a legal qualification would be advantageous.
- High-calibre and dynamic compliance professional, extremely commercially aware, with the ability to be highly adaptable in accordance with the growing needs of the firm.
- Excellent interpersonal and relationship-management skills, with the ability to liaise extensively with clients.
- Team-player, capable of working with high energy individuals and motivating others, as part of a small, high-profile group.

Please send your CV with current salary details to: Sara Kenderdine-Hair, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90352A/04. Alternatively send by fax on 0171-312 3380 or by e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

LEADING INTERNATIONAL CHEMICAL COMPANY

EUROPEAN TRADE FINANCE AND CREDIT MANAGER

Attractive remuneration package **THAMES VALLEY, UK**

Our client is a leading global producer and marketer of specialty chemicals and equipment. This organisation is highly profitable, with net sales of over £1.8 billion, and employs over 5,700 people situated in the USA, Canada, Europe, Asia and Latin America. In Europe there are manufacturing plants in Belgium, France, the Netherlands and Italy with sales offices throughout the region.

As a result of rapid growth due to acquisition, an exciting new position has been created for a Trade Finance Manager to join the European Head Office Finance Team in the UK.

The Position

- Report to the Treasurer Europe, Middle East and Africa Region.
- Management of trade finance in the region (with emphasis on Eastern Europe, ex CIS Republics and Middle East) and development of a network of trade and banking contacts.
- Extensive risk analysis/risk management of the business.
- Receivables management for the region, involving responsibility for a team of 4-6 staff in the UK, Belgium and Italy.
- Improvement of existing MIS systems to minimise losses and to respond to changing business needs.

The Requirements

- Ideally, at least 4-5 years' experience in Trade Finance, receivables management and systems development.
- High-calibre graduate, preferably aged 30-40; ACT qualification would be advantageous.
- Team-player with excellent interpersonal skills and a keen commercial awareness.
- Innovative and proactive approach, with the ability to manage change in a rapidly expanding business.

Please send your CV with current salary details to: Sara Kenderdine-Hair, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90348A/04. Alternatively send by fax on 0171-312 3380 or by e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

Structuring Off Shore Trusts

London

Our client is the investment arm of an established and successful British bank. Due to an increase in the level of activity of off shore trusts which they handle, an experienced and ambitious individual is required to work within the investment administration department.

The key elements of the role are:

- Co-ordination and management of new product launches, working closely with the sales and marketing teams as well as third party lawyers and bankers
- Establish a central documentation area for existing and new documentation
- Standardise new documentation and structure of investment products

You will need experience in the documentation of investment trusts, ideally with offshore experience. Strong planning and communication skills are essential. This is a varied role for a genuine team player. An attractive remuneration package is available, commensurate with experience.

To discuss this opportunity in total confidence telephone Graham Cuninghame on 0171 405 4161 quoting reference no: 54097 or alternatively send your details to him at the address below:

5 Bream's Buildings
Chancery Lane
London EC4A 1DY
Tel: 0171 405 4101
Fax: 0171 430 1140
E-Mail fms@psd.co.uk
Internet www.psd.co.uk

PSD

FMS Finance and Accountancy Recruitment

INVESTOR IN PEOPLE

Regulatory Reporting Manager

Investment Bank **City based**

Our client is one of the largest banks in Europe and one of the top 20 banks world-wide. It has an enviable reputatioo and a commanding international presence.

Following an internal promodon they are now looking to recruit an experienced regulatory reporting manager who will recruit and then head a small team.

You will be responsible for ensuring that all regulated group companies comply with the financial rules set out by their respective regulatory authorities.

As the head of department you will also be responsible for the full implementation and development of their regulatory reporting system.

This will lead to the provision of improved management information and, in addition, increased liaison with the front office will ensure that new activities and business are monitored and controlled effectively.

You should have experience of SFA, IMRO and Bank of England reporting.

As the role will involve extensive liaison with different departments and exposure to senior line management the confidence and ability to communicate at all levels is essential.

The bank has a strong emphasis on training aod developmenι and offers ample opportunity for career advancement.

To apply please send a full CV with a covering letter detailing your current salary to:
Andrew Fisher (ref: 229), Parkwell Management Consultants Ltd, 8 Wilfred Street, Westminster, London SW1E 6PL
Tel 0171 630 8000 Fax 0171 233 5205 Email Parkwell@Compuserve.com

PARKWELL

ACCOUNTANCY APPOINTMENTS

Head of Finance

New Textile Chemicals Joint Venture

£50,000 + Bonus & Benefits **Heathrow Area**

Superb new opportunity to create the world leader in its sector. International joint venture imminent between two £multibillion corporations. Accomplished accountant sought to help set up sales and marketing company and grow from current combined sales of $40m.

THE POSITION

- Responsible for all financial matters: reports, budgets, cashflow, consolidation etc. Report to Managing Director.
- Set up all IT, systems and procedures from scratch. Prepare product profitability analyses, oversee monthly closing, deal with parent. Alternate for MD.
- File tax reports, interface with Auditors, supervise credit, implement and maintain MIS.
- Outstanding opportunity to help build a new, world-leading, international company.

QUALIFICATIONS

- Qualified ACA or ACMA, MBA preferred. 5-10 years' industry experience, ideally chemicals or processing.
- Expertise in specification and implementation of accounting systems, including spreadsheets and databases.
- Excellent interpersonal skills; a leader; able to communicate at all levels; meticulous attention to detail.
- Shirt sleeves approach; bottom-line motivated; energetic; a skilled negotiator with an international outlook.

Please send full cv, stating salary, ref LG70704, to NBS, 54 Jermyn Street, London SW1Y 6LX
Fax 0171 409 1786 Tel 0171 493 6392

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow • Leeds • London • Manchester • Slough • Madrid • Paris

NB Selection - London | NBS | Selection and Search

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OPERATIONS FINANCE MANAGER

monument

Excellent Package
Central London

THE COMPANY

With a current market capitalisation over £600m, Monument Oil and Gas plc has enjoyed sustained growth both domestically and internationally over the last decade due to successful investments in oil & gas acreage and reserves. With all its major discoveries now in production, Monument has initiated a new phase of investment. A key element of this growth comprises the operational management of existing fields, finds or exploration acreage where additional commercial potential can be identified.

THE ROLE

As a new senior position, the Operations Finance Manager will take responsibility for providing the full range of accounting support to the company's operated projects.

Key elements of the role will be:

- Overall responsibility for operations accounting systems
- Development of partner financial reporting procedures
- Negotiation of and compliance with terms of Joint Operating and associated agreements
- Development of procedures and documentation to meet the demands of partner audit
- Contribution to the planning and resourcing of new operated venture proposals.

THE CANDIDATE

The successful candidate will possess direct experience in the exploration and production sector, have exposure to both financial and management accounting systems, be able to work effectively with operational counterparts and demonstrate proven man management skills. A flexible approach to solving problems and prioritising workloads in a rapidly developing environment is essential. Personality and experience are key factors for this position.

If you feel you have the right attributes to perform this role successfully, please send your details to Victoria Hahn or Chloe Fotheringham at Douglas Llambias Associates PLC, 10 Bedford Street, London WC2E 9HE. Tel: 0171 420 8000. Fax: 0171 379 4820.

DLA DOUGLAS LLAMBIAS ASSOCIATES RECRUITMENT CONSULTANTS DLA

LLOYD'S

Covering the World

Career Opportunities for Finance Professionals

Lloyd's role at the centre of the London insurance market has never been more important, spearheading change and growth into the next millenium. The high profile Corporate Audit department at Lloyd's is involved with delivering a range of projects to meet the strategic objectives of the Corporation. A new Head of Audit has been appointed and he is now looking to strengthen his team which will be integral to the growth of a risk based approach. The roles are extremely varied and cross all disciplines and levels. They will therefore suit flexible and creative individuals with strong commercial sense, able to think on their feet and operate to what is a rapidly changing environment.

Systems and Development Review

Lloyd's has well established systems divisions which supply a wide range of systems and IT services and are at the forefront of change across the Corporation. An experienced accountant is now required to enhance new systems procedures. The right candidate must have a strong ability to translate systems requirements into business solutions from a financial perspective.

The philosophy of the function is that of integrated system and financial review and as such the right candidate will work closely with other members of the team devising policies and programmes. Candidates are likely to have a minimum of two years post qualificatioo experience with strong IT and process skills and immediate credibility with the operational management team up to director level.

Financial and Operational Review

New team members are required to work closely with the Head of Corporate Audit developing financial and operational review techniques. Likely candidates will be qualified accountants who have exceptional audit experience to practice or industry and are now looking to apply this to a fast moving environment.

The new recruits will quickly become tovolved with the identification and resolution of business issues and the development of risk analysis techniques. Given the nature of the function, there will also be extensive project work. No previous experience of the insurance or financial services markets is necessary: what is essential is a desire and ability to promote change and raise standards across all business areas.

There is at present no environment changing and growing more rapidly than the Lloyd's market place. As such, only exceptional candidates should apply. Remuneration packages are excellent, reflecting the calibre of candidates sought.

If you believe you can meet the challenge on offer, please send a full curriculum vitae to Sarah Hunt at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, fax 0171 405 9649.

AGF Insurance

AGF is a leading insurer in Europe. Worldwide it employs over 22,000 employees and is active in 30 countries on all five continents. With assets in excess of £30 billion and over 10 million policy-holders, the consolidated premium income has increased four fold in the last ten years. AGF has been active in the UK for over 40 years and employs 1,100 staff in a number of locations. The company is currently looking for two professionals to strengthen the finance team with a new Chief Financial Officer. Both positions are based in Milton Keynes.

Credit Manager

c £40,000 + Car Allowance + Bens

Reporting directly to the Chief Financial Officer, this is a high profile role which demands a proactive and results orientated manager.

- Design and implement a new credit policy.
- Shape and develop a team.
- Produce annual budgets, strategic and operational plans.
- Manage and control collections and credit terms for the company.

The successful applicant will have a proven track record in credit management gained within the Insurance sector. Reference 358376

Mgmt Accountant

£30-35,000 + Bens

Reporting directly to the Financial Controller, this commercial facing role includes:

- Provide management information in respect of the strategic business units, products and business classes.
- Monitor all aspects of expense control and business activity including productivity, quality and service.
- Implement and maintain activity based management systems.
- Manage and develop professional finance staff.

The successful applicant must be fully qualified with a detailed knowledge of management accountiog and financial management techniques. Reference 358671

Interested applicants should forward a comprehensive curriculum vitae quoting the relevant reference number with curreot salary and benefit details to Michael Semark, Michael Page Finance, Grant Thornton House, 214 Silbury Boulevard, Milton Keynes MK6 2UF. Telephone 01908 692611 Fax: 01908 692488. Closing date 24th July 1997.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Commercially Focussed Finance Director

North Oxfordshire **c £45,000 + Benefits**

Our client is a growing entrepreneurial company enjoying a strong position within its niche markets. The company is at the forefront of the development, manufacture and delivery of a range of technologically advanced transportation management systems and related products. With an impressive range of clients in the UK and in markets across the world, the business is in an exciting phase in its development. The recruitment of a proactive, commercially focussed Finance Director is the final part of the creation of a senior management team to deliver its medium term development goals.

The successful candidate will be a qualified accountant probably aged between 30-45 years and will have a proactive, commercial approach to solving business problems in addition to a high level of technical competence in the area of financial control. Heading up a small finance team, the role will tovolve the review and appraisal of ongoing business contracts. Furthermore, the successful candidate will play a key role in tendering for new business and the identification of new opportunities for the company to exploit. Consequently, the ability to work with other disciplines as part of a commercial team is a prerequisite.

Interested candidates should write enclosing a full CV and covering letter to Andrew Jones at Michael Page Finance, 190 Corporation Street, Birmingham B4 6QD, quoting reference 356622.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

European Financial Controller

South East **c £50,000 + Car + Bonus**

With a turnover of half a billion, our client is a highly acquisitive and rapidly expanding multinational manufacturer whose achievements have been based on providing innovative solutions through technological excellence.

Based at Group Headquarters, the European Financial Controller will head up a small team of staff and will report directly into the Group Financial Controller.

The role will have overall financial responsibility for the European operating units and primary duties will include the following:

- Liaison with Business Managers to establish strategic plans and budgets.
- Profitability reviews of businesses and product lines.
- Ensuring operating units have effective costing systems capable of providing price guidance.
- Post acquisition investigations and capital investment reviews.

This is a particularly key role within the management team. The individual will be expected to attain a thorough understanding of the business to ensure that the European finance function cootinues to add value to the organisation.

The ideal candidate will be a qualified accountant, aged 30-40, with a well rounded accounting background, preferably obtained within an international manufacturing based organisation, which should include managing a multi-function finance department within a large Plc.

A results orientated individual, the candidate will have excellent interpersonal skills, proven ability to deliver on time every time and have a willingness to travel up to 50% of the time within Europe.

This is an excellent opportunity for a well motivated individual to develop career potential within a vigourous and challenging environment.

Interested candidates should forward a comprehensive CV quoting reference J357581, together with current remuneration details to Alistair Robinson at Michael Page Finance, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
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Financial Analyst

City of London **c £35,000 + Bens**

Our client is a dynamic City law firm with a growing international practice established across four continents. Noted for exceptional variety of work, its traditional practice areas include banking, corporate, international trade, property and media law. The firm has undergone strong recent growth by identifying new business opportunities and continued investment in training and technology.

They are now looking for a Financial Analyst to supplement their 20-strong finance team. Responsibilities will inelude the production of regular management and performance reports to Business Stream Managers and analysing this data to identify areas for management action. You will also provide the partners with financial input to the firm's future plans, budgets and forecasts. System development and liaison with overseas offices is another vital element.

The successful candidate will be a qualified accountant with around two years PQE. Key skills will be hands-on commercial experience coupled with non-finance liaison. You are likely to be seeking a new challenge in an environment whieh is both testing and stimulating. You will also have strong interpersonal skills, high standards of work and the ability to have a substantial influence on the business.

If you feel you have the necessary skills, please send a copy of your curriculum vitae to Andrew Bentote at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, or alternatively fax on 0171 831 2612.

Michael Page Finance
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ERNST & YOUNG

Manager – Mgmt Accountant

Central London **c £35,000 + Car + Bens**

As ooe of the world's leading providers of business services, Ernst & Young are committed to delivering outstanding value to their internal and external customers. Curreot turnover for the UK operation is over £400 million with an aggressive growth forecast for the future.

The firm's continued success in the competitive global market relies upon innovadon, proactive change and strong strategie focus. This key appointment within the finance team will add depth to the reporting and analysis process for 40 cost centres across the UK business. Supervising a high calibre team of six staff, the role will take responsibility for moothly reporting, forecasting, budgeting and business planning.

Further challenge within the role will be provided by the on-going development of strong relationships with the departmental heads to promote greater understanding of the eommercial drivers in their business and therefore add value to the reporting process.

The successful candidate will be a qualified accountant with strong staff management skills, a commercial focus and previous experience of reporting/budgeting/forecasting at a senior level. The key personal attributes will be energy, enthusiasm and excellent communication skills. In return you can expect rapid progression and a challenging career to this exciting global business.

Applicants wishing to apply should forward a comprehensive CV quoting reference 359914 to Andrew Bentote at Michael Page Finance, Page House 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2439.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Investment Finance Manager

London **c £40,000 +**

Our client, with an annual turnover of £1 billion, is a major player in the transport sector. Continued investment is vital to improve services to customers and is a central element of corporate strategy.

We are currently seeking a high profile candidate in the investment/project finance group to join in a period of growth and change.

You will be expected to develop expertise in PFI, project finance, financial risk analysis and other commercial financing issues.

As a senior member of the department you will be responsible for:

- Setting up £multi-million, long term contracts under the Private Finance Initiative.
- Active management of project structuring and finance.
- Transforming company strategy and objectives into priorities and action.
- Providing direction, strategy and guidance to business units and internal customers.
- Financial analysis including business scenario modelling, risk simulation and analysis, valoe for money assessment, feasibility studies and benchmarking.
- Project advice including administration of external financiers and legal advisors, provision of advice on PFI matters and preparing legal documents and contracts.

The successful candidate will be degree calibre and a qualified accountant with at least three years PQE. You will demonstrate an understanding of commercial and financial issues, particularly project or corporate finance transactions. You will also ideally demonstrate evidence of analysis and problem solving, self motivation, computer modelling techniques and performance management.

Candidates interested in this challenge should forward a curriculum vitae with a detailed covering letter (quoting Ref 358058) to David Morgan at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293, or alternatively telephone for an informal discussion on 0171 269 2284.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
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Risk is our business. Not our policy.

That's why a Group restructuring has led to London becoming the Global Head Office for our Life & Health business.

Where else? After all, the City is famous for making things happen, and so are we at Swiss Re. We are one of the world's leading reinsurers, operating in over 30 countries, with a reputation for excellence and commitment to business growth.

We are looking for people with a commitment to quality equal to our own, who excel in their chosen area, are keen to develop their careers and who empathise with our desire for continued success and growth.

We are currently seeking financial professionals, capable of making a real impact on our business, to join both our UK and Divisional Life & Health teams.

Financial Accountants

£30,000 - £50,000 (depending on experience) + benefits

Operating within our UK Business team, your overall brief will include preparing financial information under UK, US and Swiss GAAP. In addition, you will provide a high quality accounting and reporting service to our India, Israel and Middle East regions, which are supported from the UK.

You will possess an in-depth knowledge of company and insurance law in the Life & Health business, along with an understanding of the UK regulatory environment and reporting procedures.

Financial Analysts

£30,000 - £50,000 (depending on experience) + car + benefits

Making a major impact on business performance, your ability to manage information and provide informed analysis and interpretation will strengthen the platform on which our business will continue to grow.

Operating within our UK Business team, you'll need to be success orientated and possess a good understanding of the Life & Health insurance or reinsurance market.

Financial Review Accountant

c. £45,000 + car + benefits

Working with the management of the Life & Health Division with world-wide responsibilities, and supporting our Financial Controller, you'll play a leading role in assisting our financial management team in achieving its objectives, whilst providing information to both the Life Executive Board and Swiss Re Group's Head Office in Zurich.

A background in Life & Health insurance or reinsurance or a willingness to learn is important. Above all, you'll need the ability to tackle both financial accounting and analytical/management information with equal dexterity. To meet the objectives of this role some overseas travel will be necessary.

US GAAP Reporting Manager

£60,000 - £80,000 + car + benefits

Along with the Swiss Re Zurich US GAAP implementation team, you'll take a strategic approach to developing understanding of US GAAP within our Life & Health Division and ensure that the US GAAP project meets its objectives.

To succeed in this role you'll need a background in Life & Health insurance or reinsurance, US GAAP experience and be prepared to travel overseas.

All positions require you to be an accountant with between one and five years' post qualification experience coupled with strong commercial awareness, a flexible, proactive approach and the ability to deliver solutions. Strong interpersonal and communication skills are also vital if you are to get your initiatives off the page, into action and make a real impact within our highly successful organisation. The position of Financial Analyst could equally be undertaken by a qualified actuary possessing the same qualities described above.

Financial assistance towards relocation will be provided.

To join one of the world's leading reinsurers and embark upon a highly rewarding career with potential for growth and development, please send your CV and a covering letter to Brian Mills, HR Operations Manager, Swiss Re Life & Health Limited, Moorfields House, Moorfields, London EC2Y 9AL.

Swiss Re Life & Health

Director of Accounting & Systems

c.£50,000 **London**

Changing the way we work

We need to transform our accounting systems as part of the switch from cash based to resource based budgeting and accounting. We seek a Director of Accounting & Systems, a new post, to take a leading role in this process. The director will not only develop management accounting for the Metropolitan Police Service, but will head the team in the selection and implementation of the new accruals based accounting and associated systems, not simply in the Finance Department but across the MPS

A challenge worth considering?

We believe so. Achieving this fundamental change will present all sorts of frustrations and difficulties. But it will provide top level experience in leading a major change management project within the dynamic environment of an organisation with a gross budget of over £2 billion a year and over 41,000 police and civil staff. As Head of Profession for accountancy, you will have a key role in ensuring that financial and professional skills are properly applied throughout the MPS. The experience you gain will be invaluable.

The position is initially being offered on a three year contract, which covers the likely period for introduction and implementation of a major new system, but is subject to negotiation.

Are you the right person for us?

You will want and be ready to take on a leading role. You will be a qualified accountant with at least 5 years' experiance since qualifying. Age (younger or older) is of less concern, but you will have reached a senior level in accountancy, have significant line management responsibilities and experience of implementing computerised accounting systems. You should have experience of working in a large organisation, together with a good knowledge of devolved financial management systems. Public sector experience is useful, but not absolutely essential. You need not only the technical accounting skills, but also managerial and presentational abilities.

What next?

An advertisement can only give you a taste of this requirement. For an information pack, please call our advising consultants, Price Waterhouse on 0171 939 2500 (24 hour line) quoting reference A/1771, leaving your name, address and a contact telephone number. Alternatively, if you would like to discuss the appointment in confidence, please telephone Alannah Hunt at Price Waterhouse on 0171 939 2399 during office hours.

The closing date for receipt of application forms is Wednesday 6th August 1997.

The Metropolitan Police Service is committed to a policy of equal opportunity for all staff regardless of sex, marital status, colour, race, nationality, ethnic or national origin, sexual orientation, religion or disability.

METROPOLITAN POLICE

You should be a British or Commonwealth citizen, or a National of any state within the European Economic Area and should normally have lived in the UK or EEA for the past three years.

DIRECTOR OF FINANCE

Salary Scale £36,429 - £39,732 + OLW £1212
+8% pension contribution after 6 months service
Based at Kingston upon Thames, Surrey

nsf — positive response to mental illness

National Schizophrenia Fellowship (NSF) is the largest registered mental health charity in the UK serving people affected by schizophrenia and other severe mental illnesses. We are a rapidly expanding charity operating services throughout the UK via 8 regional offices and with a projected turnover of £25m in the current financial year.

Due to the retirement of the current post-holder, we require a Director of Finance to take responsibility for the financial management of the charity. This will involve overall control of financial planning and procedures and ensuring availability of accurate management information via a decentralised system.

CA or ACCA qualification is essential together with 5 years accountancy experience. The successful candidate will also require the communication and interpersonal skills to manage positive relations with regionally based finance staff and operational managers. Knowledge of Sage Sovereign and Tetra computer systems is essential.

For further information and an application pack please contact Tricia Platt, NSF Head Office, 28 Castle Street, Kingston upon Thames, Surrey KT1 1SS; Tel: 0181 547 3937. CVs *not accepted.*

Closing date: 1 August 1997. **Interviews: 5 September in London**

NSF is committed to Equal Opportunities
Registered Charity No. 271028

Group Chief Accountant

GENEROUS CITY PACKAGE LONDON

THE COMPANY

Mercury Asset Management is one of the UK's leading investment houses with a reputation for professionalism and performance. This FTSE 100 company has achieved impressive growth in recent years and has a clear strategy for the future. Mercury currently has c£90 billion worth of funds under management with profits of c£170m.

THE ROLE

Reporting to the Group Finance Director, to control the statutory accounting function and all related areas including tax, cashflow, regulatory reporting etc. Equally important, to continue to promote the process of constant improvement in the search for the highest standards.

THE INDIVIDUAL

A graduate qualified Chartered Accountant, trained in a large international firm with first time exam passes, and with at least five years senior line financial management experience at the heart of a substantial plc, possibly in the Financial Services sector.

The remuneration package will include a competitive salary, discretionary bonus and full range of City benefits. To apply, please send a full Curriculum Vitae quoting reference 2998, to Peter Wilson FCA, at SCI Selection, Finland House, 56 Haymarket, London SW1Y 4RN. Tel: 0171 930 6314. Fax:0171 930 9539.

INVESTOR IN PEOPLE

MERCURY ASSET MANAGEMENT

MERCURY ASSET MANAGEMENT plc REGULATED BY IMRO

International Finance Manager, Continental Europe

Central London **c. £45,000 + Car + Usual Benefits**

THE COMPANY

- Publicly quoted Financial Services Group with revenues in excess of £700m.
- Specialises in the non-banking sector with operations in over 70 countries worldwide.
- A market leader in their chosen fields of expertise.
- Its reputation for success has been achieved through consistent client servicing, innovation and new product development.

THE ROLE

- Reporting to the International Finance Director and Regional Managing Directors, you will provide the Continental European operations with financial, business and strategic support.
- Create, implement and monitor performance measures in order to assess profitability and efficiency.
- Develop annual budgets and implement internal controls, systems and procedures.
- Extensive ad-hoc projects are likely to include acquisitions and disposals

THE CANDIDATE

- A qualified Accountant or MBA with a strong academic background.
- In excess of 5 years post qualification experience, ideally gained within an international role/environment.
- A proven track record of involvement in strategic and commercial issues.
- Some Corporate Finance exposure would be an advantage, as would European language skills.

To apply, please send your Curriculum Vitae to Justine Aspey or John Axworthy at Axworthy Oliver Gill Associates, St Martins House, Priory Court, Pilgrim Street, London EC4V 6DR. Telephone: 0171 329 3434, Fax 0171 782 0020, Email j.aspey@aog.co.uk.

Axworthy Oliver Gill Associates

FINANCE PROFESSIONALS SEEKING AN INTERNATIONAL CHALLENGE

ATTRACTIVE PACKAGES **BASED IN KYRGYZSTAN**

Our client is a subsidiary of a large tobacco merchant. The subsidiary based in Kyrgyzstan purchases local Kyrgyz tobacco, with sales mainly to the CIS countries. The operation is rapidly developing which has resulted in a need to strengthen the finance team by recruiting the following:

FINANCIAL CONTROLLER

Reporting into the local General Manager on a day to day basis and to the Finance Director based in the UK. The varied duties in this role include overall control of the operation's finances, developing a strong local finance team, and preparing monthly, quarterly and yearly management accounts for reporting to the head office. To be successful in this challenging role you will be a qualified Accountant with strong financial and commercial skills. Previous exposure to a Russian or Eastern European environment is desirable. Russian as a language would be advantageous but not essential.

FINANCIAL ACCOUNTANT

Reporting to the Financial Controller, your role will involve preparation of accounts to comply with local financial legislation. You will also be responsible for ensuring compliance with current local tax legislation. Working with the Financial Controller you will assist in training the local staff in accounts preparation and deputise for him in his absence. You will be a qualified Accountant preferably CIMA, ACCA with at least three years PQE which will include USGAAP experience. In addition you will have strong business acumen skills. Russian as a language is a distinct advantage.

INVENTORY ACCOUNTS CONTROLLER

Reporting to the Financial Controller, your key duties will be to control and implement new financial leaf buying procedures in order to improve the timelines and relevancy of management information. You will liaise closely with farm accountants and buyers to insure accurate and timely documentation of tobacco advances and purchases. You will be a Russian speaking qualified accountant either by certificate or by experience. Your career to date must demonstrate a good track record of accounting ability and inventory control. To make an impact in this role you will be a self starter and have enthusiasm and willingness to travel to remote locations.

To contribute and participate in the growth of this expanding organisation, where hard work will be rewarded by excellent future career prospects, write in confidence quoting Ref. UEK/4212 to BRS International Search and Selection, Glen House, 200-208 Tottenham Court Road, London W1P 9LA or fax to 44 171 438 2289 or E-Mail to Brsinternational@btinternet.com.

Central Europe • Russia • Baltics • Eastern Europe BRS INTERNATIONAL EXECUTIVE SEARCH & SELECTION USA • India • China • Southeast Asia • Africa • UAE

FINANCE DIRECTOR

For Planned Stock Market Flotation

EXECUTIVE RECRUITMENT COMPANY • COMPETITIVE SALARY

Revenues from £3 million to £30 million in just three years

MAN MANAGEMENT EXPERIENCE
HANDS ON APPROACH
COMPUTER LITERATE
MULTI COMPANY EXPERIENCE
ANALYTICAL
VISIONARY

A challenging and exciting opportunity for a professional to take the financial reigns of this exceptionally successful company, which has a brilliant track record, a strong balance sheet and a debt free position. If you are 35-45 graduate calibre, with experience from the big six, plus five years commercial experience at board level and have the ability to manage a dynamic prestigious company through a practical and professional approach, please fax or post your details to:-

[illegible] Alexander Mann Associates Plc [illegible] London WC1V 6HG. Tel: [illegible] • Fax: [illegible]

FINANCIAL TIMES

Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 171 873 4027

Head of Taxation

Major Multinational

London — **c.£110,000 + Bonus**

This blue-chip multinational is a household name and major FTSE 100 company that is recognised as the pre-eminent organisation in its business sector. Global interests encompass joint ventures, third party relationships and major, wholly owned subsidiaries.

The tax function provides a key business support role at a strategic and tactical level. The Head of Taxation will play a significant role in directing and shaping the outputs of the Finance Strategy Group. He/ahe will lead and manage a department whose mandate includes:

- ensuring that business strategies are examined and led in a tax-effective manner;
- providing a comprehensive tax planning and compliance function throughout the Group;
- ensuring that all major capital raising/funding programmes are financed in a tax-efficient way;
- maintaining a position of industry leadership involving issues such as asset financing, tax treaties, employee and indirect taxes.

The successful candidate will have at least ten years' experience at senior management level, preferably gained in both the accounting profession and a multinational corporate environment, encompassing a detailed knowledge of structured financing and leases. Excellent leadership and creative problem-solving skills backed up by first class technical ability, are essential for success in an environment that provides substantial commercial challenges and intellectual stimulation.

Candidates capable of making a key contribution at a senior level within this world leader should write, in the strictest confidence, to GKRS at the address below, quoting reference number 734J on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION
86 JERMYN STREET, LONDON SW1Y 6JD. TEL: 0171 468 3800
A GKR Group Cotopany

International Finance Director

Branded Pharmaceuticals

c.£65,000 +Substantial Benefits
BASED LONDON/ CZECH REPUBLIC

As a well known and widely respected international business, this subsidiary of a major US group has established itself as a leading player in the manufacture and distribution of a range of medical products. The Eastern European divisions are experiencing record growth, and, recognising that the future will be realised in export sales, a programme of upgrading both the operational and financial procedures relating to these territories is underway. Critical to achieving these objectives is the appointment of a high calibre finance professional who can significantly contribute to this process.

Reporting to the UK based Eastern European Director and with a strong functional responsibility to the Group Financial Director, you will play a key role in implementing the transfer of proven systems into the groups' businesses in the Czech and Slovac Republics, Poland and Russia and provide a strategic input for all key business decision making. Creating a culture of commercial awareness, continuing these improvements and providing a profit focus will be early priorities for this role. Reviewing and developing the management and application of all IT projects as well as capital expenditure decisions will be additional features. In leading and developing your team, you will co-ordinate all controls in each location and provide a full operational input to ensure that set objectives and strategies are met in order to ensure the group's development.

You will be a graduate accountant, aged in your 30's and able to demonstrate a commercial bias through project management. Your skills will have been developed in a pharmaceutical or FMCG business where an international track record will have been achieved.

Interested candidates should write to Mark Rowley at Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full CV and quoting reference number HAR0141
Fax: 0171 409 7872.
www.herst.co.uk

HERST AUSTIN ROWLEY
HW Group Company

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INAC

"Could you manage the production finance behind the world's number-one brand?"

Enjoy Coca-Cola
REGISTERED TRADE MARK

Operations Finance Manager

North Dublin — **Comprehensive Package**

Coca-Cola remains unquenchably thirsty - thirsty for more ways to reach more consumers in more places with more of our products.

Our factory in Ireland plays a major part in the process, producing and distributing concentrate to over 75 countries across Europe, the Middle East and Africa. It's a task which requires the highest levels of financial and commercial acumen. Owing to an internal promotion to our Atlanta head office, we are now looking for an outstanding finance professional to join us.

Reporting directly to the Director of Finance, you'll lead a team of 15 and have responsibility for providing key operational and strategic information. This will include regular budgeting and business planning, detailed costing and ongoing logistics and distribution finance issues. Additionally, there will be significant involvement with treasury management issues requiring multi-currency transactions. Finally, ad-hoc projects and assignments occur on a day-to-day basis, requiring a hands on, flexible approach and the ability to "see the wood from the trees".

You will be a qualified accountant with several years experience as a controller in a multi-national subsidiary with tight reporting deadlines within a U.S. GAAP taxation legislation and multi-currency environment. You will have a strong working knowledge of fully integrated computer systems.

We're looking for a high performer with the potential to progress internationally into a bigger financial or general management role within 3 years. A 2nd European language ability would be a clear advantage and you must be willing to move internationally. Any previous international exposure would be a further benefit.

Comprehensive executive benefits complete the attractive opportunity. Please apply, enclosing a full CV and remuneration details, to our consultant Jonathan Jones at Jones Christopher. Please quote JC2810 on all correspondence.

Initial interviews will be held in both London and Dublin. Any CVs sent directly to Coca-Cola will be forwarded to Jones Christopher.

JONES • CHRISTOPHER
FINANCIAL RECRUITMENT CONSULTANTS

Jones Christopher, 4th Floor, Linen Hall, 162-168 Regent Street, London W1R 5TB. Tel: 0171 306 3202. Fax: 0171 734 6280.

GROUP FINANCIAL CONTROLLER

North London — **c £45 + Bonus**

The Group

Focused on sales and marketing of specialist chemical products, the Group has grown since its foundation in 1980 into a world-wide organisation with a turnover in excess of US$ 100 million. This is a new position based at the Group Head Office in North London reporting directly to the Board.

The position

- Management and development of the Group finance departments and computer systems in the UK and overseas.
- Responsibility for the production; analysis and consultation of periodical accounts for Group companies.
- Maintaining relationship with the Group's Banks, Auditors and Professional Advisers.
- Ensure compliance with statutory and fiscal requirements in the UK and Overseas including Eastern Europe.
- Treasury and credit management including currency risk and monitoring of large contracts to minimise exposure within commercial constraints.

Ideal Candidate

Will be a qualified Accountant with 15 years post qualification experience, excellent communication and interpersonal skills. They will display initiative and the ability to generate respect and confidence from colleagues at all levels.

Please write with full career and salary details to
H J Smith at BRAL Ltd
12 York Gate, London NW1 4QS

BRAL

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mcps

THE MUSIC ALLIANCE

On January 1 1998, the Performing Right Society (PRS) and the Mechanical Copyright Protection Society (MCPS), the two leading music royalty collection businesses in the UK, plan to form an operational alliance. The alliance will represent the vast majority of owners of music in the UK and will negotiate on their behalf to ensure that they are properly rewarded for the recording and performance of their music. The alliance will employ over 1000 people and turnover is estimated at around £400 million. The formation of the alliance has led to the requirement for three high calibre professionals to provide leadership in the finance division, based in South London.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Opportunities in the Music Industry

South London — **c £35,000**

Collections Accountant

Reporting to the Chief Accountant and leading a team of nine, the Collections Accountant will take lead responsibility for managing the accounting for £240 million of royalties collected by MCPS. This will involve monthly accounting, management reporting, budgeting and forecasting of UK and International royalty collection. The Collections Accountant will also take responsibility for the management of the company's overseas banking arrangements and for the ongoing development of the UK function.
Reference 357832

Distributions Accountant

Reporting to the Chief Accountant and managing a team of ten, the Distributions Accountant will take lead responsibility for the distribution of £240 million of royalties to MCPS members. This will involve monthly and statutory reporting, planning, budgeting and cashflow forecasting of royalty payments. The Distributions Accountant will also take responsibility for liaising with customers to ensure the highest standards of service provision. Reference 358859

Revenue Manager

Reporting to the Chief Accountant and managing a team of 30, the Revenue Manager will take lead responsibility for managing the flow of £240 million royalties from copyright users to facilitate timely distribution to members. This will involve the management and development of high volume transaction processing systems. The Revenue Manager will also liaise with customers to resolve problems and keep them aware of new developments.
Reference 357831

Each role requires a graduate finance professional who has the capability to manage people in a dynamic and challenging environment. The successful candidates will demonstrate broad based technical ability and, crucially, strong communication skills. A sense of fun and high energy levels are more important than previous music industry experience, although some knowledge of international tax or a major European language would be an advantage. Applicants for the Collections Accountant and Distributions Accountant positions must be fully qualified accountants.

If you believe you have the qualities which these roles demand, then please write enclosing a full CV and quoting the appropriate reference number(s) to Stephen Rutherford, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN.

ABB

Outstanding Opportunities Excellent Packages

ABB is a global $34 billion group serving electric power generation, transmission and distribution, industrial and the rail and transportation markets. Our client, ABB Steward is a £120 million turnover multi-discipline building services engineering company providing complete solutions in mechanical and electrical contracting, climate systems and building service throughout the UK.

Divisional Controllers

West London (Ref 358561) & Manchester (Ref 358595)

- These newly created roles will support the general managers in the day-to-day running of the divisions, ensuring that appropriate financial and management controls exist and that good quality information is available to divisional management on a timely basis.
- You will take an active role in the tendering process and support budgeting and forecasting.
- You will be responsible for a small finance team and work closely with project managers and the company's Business Controller.
- Likely to be a qualified accountant, you must have excellent commercial awareness with experience of operating in a large group environment. Project based experience in a quality organisation will be an advantage; first class interpersonal skills will be a pre-requisite.

Accounting Controller

West London (Ref 358312)

- Reporting to the Business Controller, you will be responsible for the implementation of proprietary management information systems into the largest division of the company.
- You will ensure that key financial processes are reviewed and revised to meet business needs.
- You will be a qualified accountant with experience of operating in a group environment. First class interpersonal skills and the ability to create and motivate a focused and high performing team are pre-requisites.
- Proven experience of successful systems implementation is essential; knowledge of JD Edwards software an advantage.

Interested candidates should apply in writing (including a daytime telephone number and details of present remuneration) to Simon Keating at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, quoting the appropriate reference number.

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Specialists in Financial Recruitment
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Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

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BUCHLER PHILLIPS TRAYNOR

Chartered accouotants specialising in Corporate Recovery and Insolvency.

Due to rapid expansion in our Manchester, Preston, Leeds, Sheffield and Birmingham offices, the following opportunities are available to high calibre candidates.

Corporate Recovery Managers

The candidates should have at least 5 years experience dealing with all aspects of corporate recovery and insolvency work. Ideally applicants will either be Chartered Accountants and/or a Licensed Insolvency Practitioners. However candidates with a suitable level of hands-on experience will also be considered.

All levels of Administrators

The candidates should be experienced in corporate insolvency work particularly with a good knowledge of receiverships and liquidations or personal insolvency.

Please apply in writing enclosing curriculum vitae to Joanne Sharpe at Bnchler Phillips Traynor, Elliot House, 151 Deansgate, Manchester, M3 3BP, or telephone on (0161) 839 0900.

BUCHLER PHILLIPS
RECOVERY AND RECONSTRUCTION

Chief Internal Auditor

Heathrow Excellent Package

British Airways remains at the forefront of the airline industry and is totally committed to maintaining high levels of business efficiency and customer service. Its impressive route network has been enhanced by several strategic alliances that will strengthen an already commanding market position.

The Internal Audit Department, consisting of 37 professional staff, has a positive profile gained within this demanding, fast-moving environment. Reporting to the Group Finance Director and Audit Committee, the Chief Internal Auditor will lead and manage a department focused on delivering the following key tasks:

- Identifying key systems of internal control for timely and appropriate appraisal;
- Developing recommendations to improve control, generate efficiencies and cost savings, and facilitate well-controlled change;
- Providing assistance on special projects including due diligence reviews, benchmarking activities, control risk self-assessment assistance and project management reviews.

The successful candidate will be an accomplished leader and manager with senior level internal audit experience gained in a large, blue chip multinational. Sound commercial acumen, strong motivational/management ability and outstanding communication skills are essential in order to create a strong and sustained impact within this successful and demanding organisation.

The comprehensive remuneration package will reflect the importance of this position.

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ARTS

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Stephen Pettitt meets a success story of the Almeida

By common consent the outstanding successes of the last two Almeida Opera Festivals were the performances of Giorgio Battistelli's 1981 "work of imaginary music", *Experimentum Mundi*, involving the participation of Italian artisans. So captivating was this work that the Almeida saw Battistelli back to Rome with a commission for a new work. The result is *The Cenci*, the latest in a lengthening stream of impressive music-theatre pieces which in the 1990s alone has included *Keplers Traum* (1990), the Pasolini-inspired *Teorema* (1992) and a work on Fellini's film, *Prova d'Orchestra* (1995).

Based on Artaud's 1935 play written for his experimental Theatre of Cruelty, *The Cenci*'s subject is the incestuous relationship – historical fact – between the 16th century nobleman Cenci and his daughter Beatrice and her subsequent successful plot to have him assassinated.

Artaud's theatre, through a brutal and daring mix of myth, ritual and magic, aspired to be as real as the story itself. Battistelli's objective in this work, scored for four actors rather than singers, is similar, as he explained to me during a rehearsal break.

"The piece is not classical theatre, and it's not opera. It's very interesting, treading this path between two classical dimensions. Much experimental theatre a few years ago was theatre without voices. In *The Cenci*, we have voices, but behind them we have very sophisticated technology."

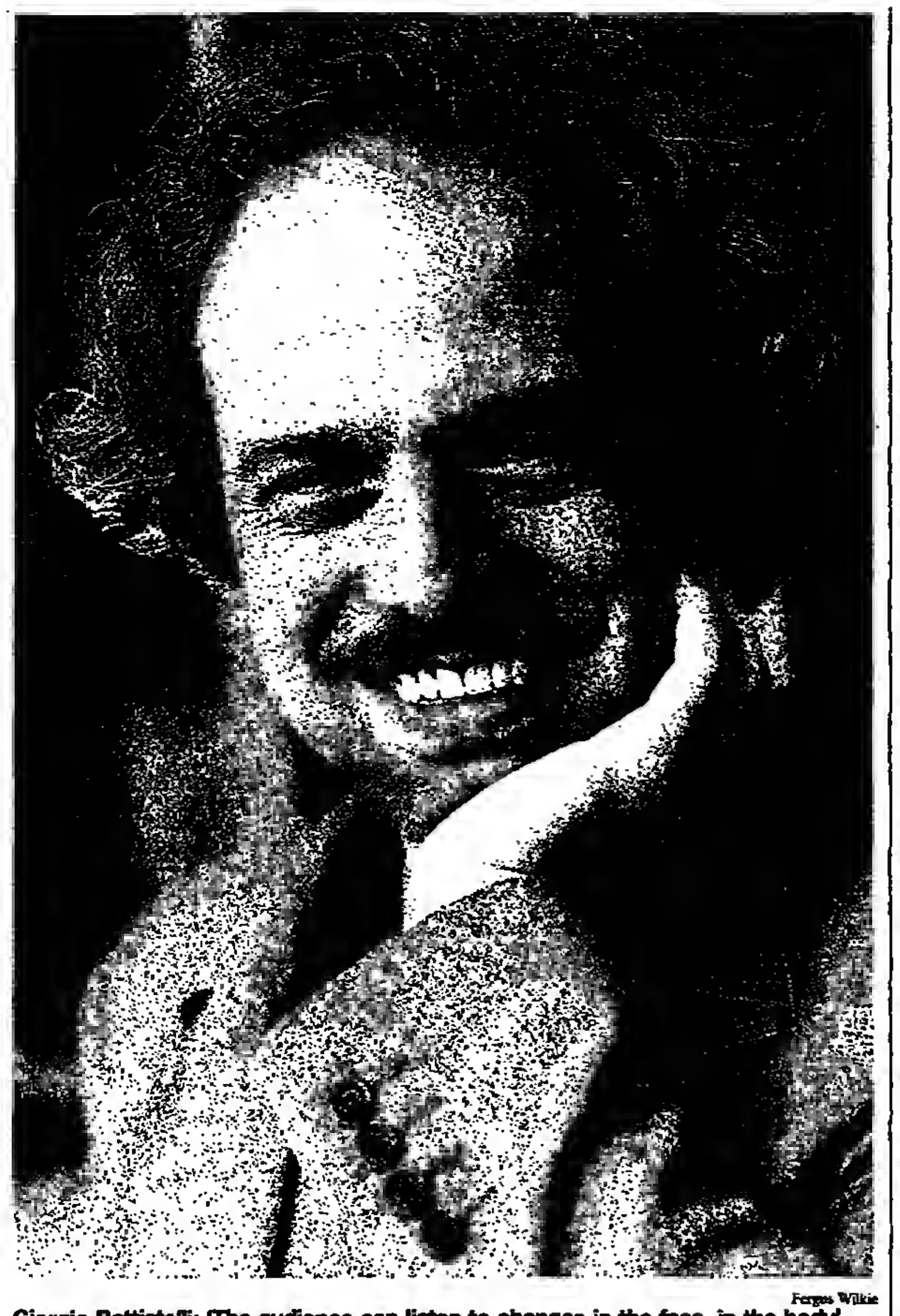
The voices are amplified, interacting with the music, and the sound is transformed by computer.

"The microphones amplify every dimension. The audience can listen to changes in the face, in the body." The effect, he says, is dramatic.

Although Battistelli maintains that the theme of incest in the text is very strong – "It's not easy on the audience. Many families really live this drama" – *The Cenci* ventures beyond the subject. It is about the abuse of power, and about hypocrisy, as relevant now as in the period of the story. "I hope it's possible also to detect a little irony," says Battistelli.

The relationship between Cenci and his daughter is ambiguous. He is her father but he shows her that she has sex appeal, and that gives her power too. Perhaps she likes being attractive to him in some way."

The second part of *The Cenci*, when the stage becomes a piece of installation art, is its most overtly radical aspect. "We pause for 30 minutes and then the audience can go back inside the theatre in small groups to explore the stage. We have many hidden sensors and when you touch them you hear a part of the sound of the opera, a fragment from the memory. So we can listen to everything, touch everything. Nothing is sacred. You can be in the same space where the drama was. So you have more sense of its reality."



Fergus Wilkie

Giorgio Battistelli: 'The audience can listen to changes in the face, in the body'

Battistelli claims that his next theatrical work, *Die Entdeckung der Langsamkeit*, based on a novel by Sten Nadolny and to be seen in October in Bremen, is less experimental. Experimentalism nevertheless remains his hallmark. Each opera poses a new question, a new problem, he says. "I cannot write two works with the same technique. Perhaps with the same poetic and aesthetic sensibilities. But the strategy must change in order to find a new imagination.

"Twenty-five years ago, Pasolini caused a scandal when he said there is no difference between the fascist side and the communist side because they both prized uniformity. In music, we still have something of this. And that is not good."

There is another opera on the way, commissioned for the 1998 Maggio Musicale in Florence and based on the early 20th century experimental novelist Raymond Roussel's *Impressions D'Afrique*. But Battistelli is anxious to reassure me that he also writes abstract music.

"It's strange. All of my pieces, abstract and theatrical, start from a literary connection. I always think in terms of drama."

Lately the composer's burgeoning reputation throughout Europe has brought him important administrative posts in Italy. For four years he has held the politically sensitive reins of the Montepulciano Cantiere in Tuscany, succeeding his friend Hans Werner Henze, though this year he took a year out.

And since 1996 he has been artistic director of the Orchestra della Toscana, "the best chamber orchestra in Italy". I put it to him, only half joking, that he now has plenty of opportunity for wielding undue power and influence. "Well, I don't like to play the little pope. I prefer to give friends, composers, colleagues, a good opportunity to make some invention. That is all."

City of London Festival / **David Murray**

Old Bernstein, new Tavener

From 1972 Leonard Bernstein, whose popular successes were all behind him, worked with Alan Jay Lerner on a politicised musical, *1600 Pennsylvania Avenue*, the Washington address of the White House. The show would pretend to be a history of that monument, but by metonymy it would become a history of the American presidency, partly satirical, and with special reference to the condition of black Americans; this was, of course, Bernstein's "radical chic" period.

Easy enough to understand why Bernstein and Lerner might initially think they had an idea worth developing; but harder to grasp how they could go on believing it, when every successive draft proved unworkable. Four years later, after countless desperate and probably Pyrrhic rewritings, the show opened on Broadway, bombed, and closed within a week.

Over the next few years, Bernstein tacitly admitted that *1600 Pennsylvania Avenue* was not just dead but extinct, by recycling its better numbers in new concert-pieces. Last Wednesday, however, Kent Nagano and the London Symphony catered to the curiosity of Bernstein fans by resurrecting a version of the original show at the Barbican, billed as the "world premiere" of *A White House Cantata*.

We were assured that it included nearly all the music he wrote for the "historical" scenes (some rejected before the show opened), but shorn of the linking action. There, the two leading couples, who sing respectively all the Presidents and First Ladies and a brace of down-through-the-ages black servants, stepped out of their roles to play themselves as actors anxiously rehearsing the show.

With that strand removed, the "cantata" we heard was only a string of historical vignettes: sometimes jokey, sometimes earnest, some with scraps of dialogue attached. It ranged from solemn anthems to wistful solos to razzmatazz show-numbers – three or four reasonably memorable things, a lot of routine material enlivened only by Bernstein's nifty syncopations.

Nagano was deft with those. Dietrich Henschel and Nancy Gustafson sang the presidential couples with a will, though neither sounded quite at home; Thomas Young and Jacqueline Miura were fine as the long-suffering blacks, and Alex Bernstein was an affable narrator. As exhumations go, this one had its bright moments.

The City of London Festival continued on Thursday with the Chilingirian Quartet. Their programme – becalmed but "spiritual" music by Arvo Pärt and John Tavener – was heard to maximal advantage in the warm, dignified acoustic of Smithfield's ancient church of Saint Bartholomew-the-Great.

The centrepiece was Tavener's new Quartet no. 3, "Dhiodia". Its single movement, lasting well over half an hour, consists of many short sections. The slow, soulful ones are variously marked "solemn and radiant", "serene, eternal" and "ewesome", and keep coming back; the few quick ones – "grotesque and greedy", "pompous", "vulgar" – do not. As usual with Tavener, some listeners will be moved and edified, while others think it just devout kitsch.

Chilingirian concert sponsored by the Energy Group plc.

Theatre / **Ian Shuttleworth**

A summer holiday with trimmings

I've not experienced such disappointment at a musical since the 1991 opening of *Joseph and The Amazing Technicolor Dreamcoat*. It is the disappointment of expecting – even, to be brutally frank, hoping – to loathe a show, and finding that the damned thing will not permit it. You see, *Summer Holiday* is great fun.

Admittedly the press night had the added attraction of Sir Cliff Richard and the Blessed Una Stubbs bringing the audience to its feet as they entered the stalls (I half expected the band to strike up *The Young Ones* as if it was a national anthem), and causing a 20-minute delay in the curtain going up as a stream of supplicants thronged around their seats. But the show itself – at 2hrs 45mins, an hour longer than the 1963 film which inspired it – is really quite delightful.

Alastair Muir

Genuine: Darren Day

The story of the four mechanics who convert a London bus for a trans-Europe jaunt, picking up on the way a girl singing trio and an American teen idol on the run from her harridan mother, allows director/designer Ultz to go to town – in fact, to go to several towns – on the visuals. Few other designers could get away with putting a full-sized double-decker on stage, and he throws in a 1960s bubble car and a polka dot painted Morris Minor into the bargain. His set, also including a stage-wide truck on which anything can be wheeled in, from a Neapolitan wedding party to an entire dance routine representing a Swiss clock striking the hour, is big and exuberant, but complements the atmosphere of the show.

As Don – all right, let's be honest, as Sir Cliff – Darren Day radiates genuine enjoyment. At one point on Tuesday night, the audience whoops which greeted his appearance clad only in a bath towel led him to grin, "I've forgotten me lines now!"; the moment certainly looked unrehearsed, an impression bolstered by his mumbled, "Sorry about this, Mum". Day has boy-next-door charm in abundance, and a singing voice frighteningly like that of Sir Cliff.

He and his comrades (René Sagger, Mark McGee and consummate hoofer Darren J. Bennett) come over as a clean-cut boy band, white jeans and all, epitomising the work of adaptors Michael Gyngell and Mark Haddigan in trying to blend 1960s low-camp with current sensibilities. Some of the jokes are plainly anachronistic, but it hardly matters; nor do Day's outbreaks of contemporary pop mannerism such as raising his index and little fingers into the air – a "Horned One" salute? What *would* Sir Cliff think? Other Cliff hits, such as "Move It" and "Travellin' Light", are astutely stitched into the proceedings alongside numbers from the film itself.

Clare Buckfield as love interest Barbara has all the requisite wide-eyed gee-whizzery; as her mother, Hilary O'Neil is a beehived panto villainess who appears to be wearing a mink on each eye. The only cloud on the sunny horizon is Ross King as business manager Wallace, whose irrepressibility quickly becomes wearing; he gets (or gives himself) all the snappiest lines, and as Carlyle remarked of Thomas Macaulay, he is "well for a while, but one wouldn't *live* under Niagara".

I still object on principle to planned encores, especially 15-minute ones such as this, albeit including a guest appearance of Sir Cliff; if actors need a fresh costume change for a curtain call, things have probably gone too far. Nevertheless, *Summer Holiday* makes for an evening of wholesome, enjoyable, low-fat cheese; I earned an affable rebuke from Christopher Biggins for being one of the few not standing by the end.

Labatt's Apollo Hammersmith, London W6, until September 20 (0171-416 6080).

Opera / **Richard Fairman**

Manon at the Bastille

If ever an opera was written to showcase a star soprano, Massenet's *Manon* is the one. With its many solo opportunities, its rags-to-riches-and-back story and its glittering scenes of Parisian high society, this is a role in which every singer would love to score a success – and in its home city of Paris one just has.

After half a century in which many fine French singers have failed to win the international recognition that they deserved, it would be nice to report that a French soprano was on the receiving end of the cheers and applause. But this new production at the Opéra Bastille belonged to Renée Fleming, the latest in a line of American sopranos who seem to be going for world domination.

In the near four hours of *Manon*, almost all of which she spends on stage, Fleming hardly put a foot wrong. Let us dispense with the sole doubt at the outset: although youthful and attractive, she does not look the delicate 16-year-old who might convincingly sing "je ne suis que faiblesse et fragilité". Fleming settled for an ambitious teenager with an eye for the main chance in the opening scene and came into her own in Act Three, when Manon is at her dazzling height.

Vocally, she offered so much more than the technical competence one knew to expect. Her French was excellent and the Massenet style sounded as though it has been thoroughly absorbed, not merely sprinkled on later like a French dressing. The music was caressed with a sensuous legato and even a touch of portamento here and there, while the brilliant showpiece Gavotte was thrown off with effortless high D's. To hear singing with such lightness of touch is a delight from a voice of Fleming's size.

At the Bastille, however, nothing less will do. We have come a long way from the sort of performance Massenet would have expected for this intimate opera. *Manon* was first performed in 1884 at the exquisite Opéra-Comique, where its small scala was designed to feel at home. After almost a century there, it moved to the grander Palais Garnier and has now crossed Paris to the Bastille, a huge barn of a theatre.

Big operas by Wagner or Strauss may wallow in this acoustic, but one of the most beautifully detailed of French 19th century scores turned into a grey sludge in the pit, through no apparent fault of the conductor, Gary Bertini, or the excellent Bastille orchestra. Richard Leech sang Des Grieux's music with force where necessary, but no obvious feeling for its romantic French style. Jean-Luc Chaignaud was a punchy Lescaut, leaving veteran tenor Michel Sénéchal in a wickedly spiteful cameo as Guillot de Morfontaine to steal any remaining scenes.

The production put up little competition. Gilbert Deflo added jugglers and fire-eaters to the Cours-la-Reine festivities, but that scene looked as lost and colourless in the movable heavy unit set as any of the others. Designer William Orlandi's experiment with a neo-brutalist *Manon* was always doomed to failure. There were small cuts in Acts One and Five, but the libretto in the programme retained the missing scenes, which was a bit of a give-away.

There were also surtitles in French (for an opera sung in French!) but the truth was that most of the audience were probably grateful, when they could not pick up the words from the stage. Massenet's delightful opera would most likely have been lost in this theatre altogether, if there had not been such a resourceful Manon in the cast to rescue it.

INTERNATIONAL ARTS GUIDE

■ BAD KISSINGEN

CONCERTS
Kissinger Summer Festival
Tel: 49-971807110
● Bamberger Symphoniker: conducted by Gerd Albrecht in a programme of works by Tchaikovsky, Beethoven and Elgar; at the Regentenbau; Jul 11
● Barcelona Symphony Orchestra: conducted by Lawrence Foster in works by Gerhard, Shostakovich, Elgar and Mendelssohn; at the Regentenbau; Jul 12
● Barcelona Symphony Orchestra: conducted by Lawrence Foster in a programme of works by Britten, de Falla and Ravel; with piano soloist Daniel Barenboim; at the Regentenbau; Jul 13

■ CHELTENHAM

Cheltenham Festival
Tel: 44-1242-227979
CONCERTS
● BBC Symphony Orchestra: conducted by Markus Stenz in Brahms' Symphony No. 2 in D, a new work by Hoyland and Mahler's *Songs of a Wayfarer*; at the Town Hall; Jul 11
● Orchestra and Choir of the Age of Enlightenment: in works by Bach and a specially-commissioned work by Betty Roe; directed by Paul Nicholson, with soprano Ruth Holton and bass Peter Harvey; at the Town Hall; Jul 12
● Hanover Band and Corydon Singers conducted by Matthew Best in works by Wagner, Pärt and Brahms; at Tewkesbury Abbey; Jul 14
● Bournemouth Symphony Orchestra: conducted by Paul Daniel in works by Brahms, Schwertsik and Mozart; at the Town Hall; Jul 16

OPERA
● Die Fledermaus: by J Strauss, sung in English by the European Chamber Opera; at the Everyman Theatre; Jul 11
● La Bohéme: by Puccini, performed by the European Chamber Opera; at the Everyman Theatre; Jul 12

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Euridice: by Jacopo Peri. Swedish premiere. Produced by Karl Dunér, designed by Peder Freiij, and conducted by Jakob Lindberg; Jul 11, 12, 15, 16

■ GRAZ

CONCERTS
Styriarte Festival
Tel: 43-316-825000
Der Graf von Gleichen: its libretto banned by the censor, Schubert's last opera remained unfinished. By piecing together the fragments and filling in the gaps, contemporary Austrian composer Richard Dünser has created a finished piece, performed here by the Graz Philharmonic Orchestra conducted by Andreas Stoehr; at the Stefaniensaal; Jul 12

■ LONDON

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Swan Lake – casts vary; Jul 11, 12
● The Kirov Ballet: Symphony in C/Gisella – Balanchine's masterpiece is staged by John Taras of New York City Ballet, with casts to include all of the Kirov's leading ballerinas; Jul 14, 15, 18

EXHIBITIONS
British Museum
Tel: 44-171-636 1555
Arts of Korea: overview of Korean art and archaeology ranging from the Neolithic period to the 19th century. Exhibits include a royal gold crown from the Silla kingdom, early Buddhist manuscripts, Koryŏ ceramics and 18th century landscapes. The exhibition is scheduled to run until 2000, when it will be replaced by a new, permanent Korean Gallery.

OPERA
Royal Opera House
Tel: 44-171-304 4000
Die Meistersinger von Nürnberg: Bernard Haitink conducts Graham Vick's production of Wagner's opera. John Tomlinson sings the role of the poet-cobbler Sachs. The final performance will be the last opera staged at Covent Garden before the theatre closes for renovation; Jul 12

THEATRE
Shakespeare's Globe
Tel: 44-171-401 9919
● Henry V: by Shakespeare – Mark Rylance stars as the young king in a production directed by Richard Olivier and designed by Jenny Tiramani; in repertory
● The Winter's Tale: by Shakespeare – directed by David Freeman; in repertory

The Old Vic Tel: 44-171-928 6655
The Seagull: by Anton Chekhov, in a version by Tom Stoppard directed by Peter Hall. Felicity Kendall is Madame Arkadina, Timothy West her unhappy son, Michael Pennington her lover; in repertory

■ NEW YORK

CONCERTS
Lincoln Center Festival 97
Tel: 1-212-875 5030
● Ornette Coleman and Prime Time with dancers, rapper and video artists in a special expanded version of *Tone Dialling*, at the Avery Fisher Hall; Jul 11
● New York Philharmonic at the Avery Fisher Hall. Kurt Masur conducts a programme of works by Henze and Wagner. With soprano Deborah Voigt; Jul 12, 14

THEATRE
Lincoln Center Festival 97
Tel: 1-212-875 5030
● Les Danaïdes: US premiere of Silviu Purcarete's reconstruction of Aeschylus' 470 BC tetralogy. Performed in French with English supertitles; Damrosch Park, 62nd St near Amsterdam Ave; to Jul 20

● Woza Afrika: After Apartheid: four different programmes of South African township plays, intended to illustrate the changes which have taken place over the past ten years. Presented at the John Jay College Theater and LaGuardia Theater; to Jul 27

■ PARIS

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Sylvia: new version, with fresh choreography by John Neumeier, to music by Delibes; Jul 11, 12, 14, 15

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Rigoletto: James Conlon conducts Jérôme Savary's staging of Verdi's opera, with sets by Michel Lebois; Jul 11, 15
● Manon: by Massenet. Musical director Gary Bertini presides over a staging by Gilbert Deflo, with designs by William Orlandi; Jul 12

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 11
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Jul 12

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Seiji Ozawa: conducts the Boston Symphony Orchestra in a programme of works by Brahms, with violin soloist Maxim Vengerov; the Shed; Jul 11
● The Leonard Bernstein Memorial Concert: Robert Spano conducts the Tanglewood Music Center Orchestra in works by Bernstein, Mozart, Dvorák and Brahms, with violin soloist Isaac Stern; the Shed; Jul 13

■ WASHINGTON

CONCERT
Wolf Trap
Tel: 1-703-218 6500
National Symphony Orchestra: conducted by Barry Jekowsky in works by Dvořák, Vivaldi and Glazunov; with violin soloist Gil Shaham; Jul 12

EXHIBITION
National Gallery of Art
Tel: 1-202-737 4215
Picasso – The Early Years: 1892-1906; to Jul 27

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17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Apple Computer is again in turmoil. Even the most loyal customers of the personal computer industry pioneer are wondering if it is on its last legs.

The sudden resignation this week of Mr Gil Amelio, chairman and chief executive – apparently under pressure from fellow board members – a week before Apple is due to report its third-quarter results, is an ominous sign. This latest episode in Apple's struggles has returned the company to the headlines. Yet Apple no longer plays a leading role in the $200bn personal computer industry. It is no longer a serious competitor in the business segment of the market. Neither is it a technology leader.

Apple still demands attention, though, if only as the faded icon of the Silicon Valley's high-technology entrepreneurial culture; the garage shop that grew into a multi-billion dollar enterprise and captured the world's attention in the 1980s when it inspired hundreds of high-tech start-ups.

Apple's future is now in unknown hands. The company is mounting an "intensive search" for a "customer-focused" chief executive, says Mr Edgar Woolard Jr, a member of Apple's board.

The most obvious candidate is Mr Steve Jobs, Apple's co-founder, who returned to the company early this year as a part-time adviser to Mr Amelio. Mr Jobs will play an "expanded role as a key adviser to Apple's board and executive management team", the company says.

Some Apple loyalists hope Mr Jobs will feel obliged to step forward to rescue the company he founded more than 20 years ago. But he has repeatedly said he has no intention of returning full time. Instead he wants to devote his attention to his main business interest – as chief executive of Pixar, the computer animation studio that made the 1995 hit film *Toy Story*.

Finding somebody else willing to stake his or her reputation on reviving Apple may be a tall order. If reports are true, Mr Amelio is the third Apple chief executive to be ousted in the past four years. He follows in the footsteps of Mr Michael Spindler, who departed unceremoniously in early 1996, and Mr John Sculley, who was forced out in 1993.

Crunch time: Gil Amelio, chairman and chief executive, has turned his back on Apple AP

Sour taste at Apple

Louise Kehoe on the precipitous fall from grace of a once mighty computer company

In each instance, Apple's board acted only after the company had seen its sales fall sharply. By the time Mr Amelio arrived 17 months ago, the company was on the brink of collapse. Its management was in disarray, its technology development stalled and its expenses were out of control.

A self-described "transformation specialist", who had joined Apple's board a year earlier, Mr Amelio was initially hailed as the company's saviour. He took a dispassionate view and attempted to apply the same fixes he had used at National Semiconductor, his previous company. He cut costs by sharply reducing the company's workforce and slimmed operations by selling off manufacturing facilities and bringing discipline to the company's research and development activities.

Through the acquisition last December of NeXt Software, Mr Amelio also focused attention on the prospect of a new generation of system software, called Rhapsody, which he claimed would restore Apple's competitive edge. Yet Apple's fundamental problem remains unsolved. Sales of its Macintosh personal computers are declining and its share of the world PC market, once well above 10 per cent, has dwindled to less than half that.

Apple executives offered no explanation for the timing of Mr Amelio's departure, except to say that the board was unhappy with the company's financial performance. However, as industry analysts point out, this must have been the case for some time. Apple reported a $708m lose for its second fiscal quarter, ended March 31.

It appears, rather, that Apple's board members believe the company needs a more charismatic leader. This person would be charged with building the value of its strong brand name to recreate the excitement that surrounded the company's technology in the 1980s and early 1990s.

This may not be possible. "The idea that they're going to go back to the past to hit a big home run and beat Microsoft is delusional," says Mr Dave Winer, a software developer and online industry commentator.

Ironically, Apple's board, often criticised for its lack of decisive action, may have made its worst error by acting now. The gravest threat facing the company is uncertainty. Without a leader and with its future direction in question, Apple risks losing the support of the software developers who would create the next generation of application programs for the Macintosh.

Worse, it is severely testing the faith of its 20m Macintosh users – an extraordinarily loyal band of customers who have stuck with Apple through its many crises.

The best option for Apple may now be to seek a buyer. Although executives insist the company is not for sale, its share price is languishing around a 12-year low of 13⅛, giving it a market value of about $1.7bn. Yesterday officials at Sun Microsystems, involved in takeover talks with Apple in 1996, refused to comment on whether it may have any renewed interest.

Mr Larry Ellison, the software multi-billionaire and founder of Oracle who earlier this year mooted the idea of a takeover bid for Apple, also greeted the latest developments with silence.

Mr Amelio, at least, has been well compensated for his efforts. The former Apple executive's five-year employment contract promised him salary and bonuses of about $2m a year – whether or not he remained at the company. While Apple's share price has plunged from $28¾ to $13⅛ in the 17 months since he took charge, Mr Amelio will walk away with an estimated $7m pay-off.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Justification for international financial regulator is flawed

From Mr Paul J. Isaac.

Sir, Henry Kaufman's assertions in support of an international financial regulator ("A safe and sound system", July 7) mis-diagnose the problem and in so doing support a flawed cure. Portfolio finance does not concentrate the players in markets. It makes active participants more numerous while tending to limit the use of contractual debt instruments in favour of share-like instruments at numerous stages of intermediation. Usually both phenomena would decrease systemic risk.

Globalisation of finance has thrown dozens of national behemoths into the international financial markets as relatively small actors compared to the whole. In aggregate, international finance is a very unconcentrated industry, and continued declines in data, telecommunications and computation costs will work against rapid consolidation in the foreseeable future.

Substantial co-ordination among the OECD countries on bank capital and, increasingly, risk management, already exists. The systemic risks Dr Kaufman seeks to avert from wildcat regions of political instability, primitive financial systems or corrupted regulation entities will not be ameliorated by a bland technocratic international overseer. Politics are likely rapidly to impel such a body to a low common denominator.

His greater systemic risks stem from the steady shift, first in financial theory and later in practice, away from viewing most financial assets as income-producing, and towards actions based upon their being portfolio items subject to rapid turnover in order to maximise total return over brief measurement periods, of which capital appreciation is expected to be a large, if not the largest, component.

Few institutions seem exempt from this changed perspective. Immensely disproportionate financial rewards await those who play the game successfully. Those who deliberately eschew it, except via indexation, are retrograde, dull or eccentric and clearly unsuitable fiduciary stewards for large institutional funs.

The consequent collective rushing about, especially in and out of imperfectly linked markets grossly disparate in size, creates serious policy problems and raises the risk of financial accidents.

It is hard, however, to see how Dr Kaufman's international regulator will be able to do to ameliorate that.

Paul J. Isaac,
7 Douglas Lane,
Larchmont,
NY 10538, US

Take steps to limit rate rise damage

From Mr Michael Nield.

Sir, Once again the Bank of England has raised interest rates to reduce consumer spending. We know that this will increase the costs of industry and damage exports. When enough damage has been done, rates will be reduced again, and more damage will be done when speculators abandon the pound.

Why could not the cost of borrowing be increased for consumers by removing the exemption which saves interest charges from VAT?

Why can we not deter international speculators from buying pounds by charging a modest, non-recoverable tax on interest and dividends paid to non-residents?

Michael Nield,
16 Wellfield Avenue,
London N10 2EA, UK

Poland has same fears

From Mr Ryszard Stemplowski.

Sir, In "A protest too late" (July 9) we read: "Nato is a military alliance designed to keep out the Russians. But the countries of eastern Europe do not need this defence since they face no present or probable threat from Russia."

This is both misleading and insincere. It is misleading, if only because Nato is the only defence and security guarantor for the European Union. It is not sincere, if only because it does not suggest that the UK should leave Nato. (Does the UK need the defence Poland does not need?)

Poland reintegrates into Europe and has to join the leading institutions of the system; I fear the same pirate ships the UK happens to be in fear of, and I would like to join Nato for the reasons the UK is not leaving it.

Ryszard Stemplowski,
ambassador,
Polish Embassy,
47 Portland Place,
London W1N 4JH, UK

Van Miert's Boeing stance right for EU

From Mr Paul K. Lyons.

Sir, High noon may be approaching in Boeing's confrontation with Brussels, as your leader suggests ("Boeing vs Brussels", July 9), with the EU's competition commissioner, Mr Karel Van Miert, doing a Gary Cooper. It is a shame, though, to see the Financial Times sidling off for cover behind the saloon bar.

You rightly argue that the Commission needs to be clear about its priorities, and pragmatic in achieving them. Surely Mr Van Miert is doing just that. Under the EU's merger rules, the Commission has not only the right, but the duty, to investigate international mergers that would interfere with competition in the Union. The highly successful European Single Market needs a sheriff who doesn't walk away from big guns.

You say that the Federal Trade Commission is concerned about Boeing's sole supplier arrangements, one of the European Commission's principal concerns, but has not challenged them. In fact, the FTC has said it it intends to "monitor the potential anti-competitive effects of these and any future long-term exclusive contracts". The EU's merger rules, however, require the Commission to be much more certain about a situation before making a decision.

So long as Mr Van Miert is not seen to lose the confrontation with Boeing then his highly principled stance will, apart from protecting the EU's interests in the important aircraft production market, send a very loud message to other would-be dominants.

Paul K. Lyons,
editor, EC Inform-Transport,
Russet House,
Red House Lane,
Elstead, Surrey, UK

Rich countries should open doors

From Ms Harriet Lamb.

Sir, What a nerve on the part of western countries to complain that India is lifting imports on the most sensitive goods last ("Indian imports talks collapse", July 2). India is merely copying tactics deployed by the EU and the US as they drag their feet over lifting barriers to textiles and clothing imports from India and other countries, letting in sensitive items only right at the end.

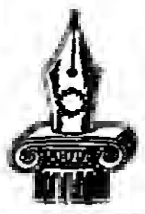
The difference is that India, struggling to tackle poverty while undertaking structural reforms, should be allowed to protect its economy while gaining access to rich world markets. Instead, in today's upside-down world, the rich countries want their multinational companies to roam the world at will, without making any concessions in return. Enough moaning. Rich countries should open up to poor countries – and shut up.

Harriet Lamb,
World Development Movement,
25 Beehive Place,
London SW9 7QR

Europa · Paul De Grauwe

The credibility deficit

Financial markets are misguided in their views on what will make the euro strong



A conviction has taken hold of the financial markets. It is now firmly believed that for the euro to become a strong currency it is imperative that those countries joining European economic and monetary union should reduce their budget deficits below 3 per cent of gross domestic product. For many observers, allowing countries into Emu with budget deficits exceeding this holy number, even by half a percentage point, would fatally harm the euro's credibility and condemn it to the status of a weak currency. For some, that would spell disaster.

This has become the conventional wisdom in financial markets and beyond. But is there any evidence for these firmly held beliefs? Is it true that in order for the euro to be strong – assuming this is a desirable objective – budget deficits should necessarily be below the magical 3 per cent?

The past may not always be a good guide for the future. But in this case, it does have lessons. The chart shows the cumulative appreciation or depreciation of the currencies of the 15 European Union countries – the effective exchange rate – and their average annual budget deficits during 1970-96.

Currencies above the horizontal line have experienced an appreciation. Let us call them strong currencies. The examples are the D-Mark, which appreciated more than 100 per cent over this period, and the guilder and Austrian schilling, which appreciated about 50 per cent. The weak currencies are below the horizontal line. Examples are the pound and the lira, which have depreciated by more than 50 per cent over the past 25 years.

A striking feature of this diagram is that there is very little correlation between the size of government deficits and the strength of a currency over such a long period. Of the seven countries that managed to keep their average budget deficits below 3 per cent, three experienced an appreciation of their currencies (Germany, Austria, Luxembourg), three experienced a depreciation (France, Finland and Sweden) while one country (Denmark) kept its currency unchanged.

Even budget surpluses do not guarantee the strength of a currency, as the Finnish example demonstrates. The Finns managed to combine a weak currency with budget surpluses of an average 2 per cent a year.

Another striking contrast is the difference between France and Germany. During the past 25 years, France has been more successful than Germany in keeping its budget deficits low, and yet the franc was weak while the D-Mark was strong. So, keeping your budget deficit below 3 per cent has as much chance of producing a weak currency as it has to produce a strong one.

Low budget deficits are not sufficient in themselves to ensure a strong currency. Even though their deficits exceeded 3 per cent a year, the Netherlands (3.3 per cent) and Belgium (6.6 per cent) managed to keep their currencies strong. True, the evidence also indicates that when deficits become very large, as in Italy and Greece – where they come close to 10 per cent a year – the probability of having a weak currency is high.

The strength of a currency appears to have very little to do with the size of the government budget deficits or surpluses, provided deficits are not truly excessive. More important, the number three does not seem to be the boundary that allows us to discriminate between strong and weak currencies.

Economists have always known there is no simple relationship between the strength of a currency and the size of deficits. Many other factors interfere. Most importantly there is the role of monetary policy. The contrast between France and Germany illustrates this. During the past 25 years the French monetary authorities have pursued policies which led to more inflation than in Germany. The ensuing depreciations of the franc occurred in spite of the fact that France produced lower government budget deficits than Germany.

Economists also know that unsustainably high deficits lead to pressure on the monetary authorities to print money. The evidance suggests, however, that in the past 25 years deficits had to exceed 3 per cent by a wide margin before such pressures became overwhelming.

Fears that the euro will be weak if countries with deficits marginally above 3 per cent participate are overblown. They are not based on a detached analysis. The crucial factor that will determine the euro's strength will be the monetary policies of the European Central Bank.

There can be little doubt that the bank, strengthened by its political independence, will pursue price stability as its main objective. As a result, one can be confident that the euro will not lose its purchasing power faster than the D-Mark has done since 1960 – an average 3.4 per cent a year.

The fact that at the start of Emu, France, Germany and Italy may have deficits of, say, 3.5 per cent instead of the required 3 per cent will have no significant influence on the euro's strength. There are many good reasons why countries should reduce their budget deficits. A strong euro is not one of them.

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

The past is no guide for the euro

Source: European Commission, IMF

FINANCIAL TIMES

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Friday July 11 1997

Germany's fiscal woe

As the German government's now notorious proposal to treat the profits on the Bundesbank's gold holdings as revenne has demonstrated, the budget is in a mess. The weak state of its finances is also undermining the country's fiscal authority on the eve of the planned mova to economic and monetary union.

Initially, Mr Theo Waigel, the long-serving finance minister, expected the federal government's net borrowing to be DM53.3bn (£18bn) in 1997. Now this is expected to be DM71.2bn, mnch more than investment, forecast at DM59.1bn. Thus the government is set to violate the constitutionally mandated "golden rule" – that net borrowing be less than investment.

Behind the increased deficit is an overshoot of federal spending, now expacted to ba DM458.6bn, against the original target of DM439.9bn. Tha overshoot is explained by higher than expected unemployment, which is forecast at an average of 4.3m this year compared with the 3.95m expected when the 1997 budget was approved late last year. As a result of the rise in joblessness, federal spending on labour and social affairs has overshot by DM21.3bn.

Next year, federal net borrowing is forecast to decline to DM57.8bn, which is still only fractionally below investment of DM58.2bn. A tiny overshoot of the deficit would again violate the golden rule. Such an overshoot is hardly difficult to imagine, since nominal spending is expected in rise by only 0.5 per cent between 1997 and 1998. If this is to happen, unemployment has to fall, as Mr Waigel indeed hopes.

The overshoot of the federal government's planned deficit has implications for the general government deficit. Officially, tha target for this year remains 3.0 per cent. But the Organisation for Economic Co-operation and Development, along with many outside forecasters, expects it to be higher.

Economically, this is of no obvious importance. The politics are a very different matter. If Germany fails to achieve the Maastricht target in 1997 it will be in a poor position to insist that others do so. The stability pact's requirement that 3 per cent be the ceiling for the deficits of Emu members would lose much of its credibility.

The government has no easy way out. The junior coalition partner, the FDP, will not agree to higher taxes, whila the will to cut spending is largely lacking. The government hopes that surpluses in the social security system and the willingness of the Bundesbank to promote a strong recovery will bail it out. On such slender threads now hangs the credibility of Germany's role as guardian of European fiscal rectitude.

Fragile peace

"Cambodia is a modal UN success story, a model peace plan." So said Mr Winston Lord, US assistant secretary of state for east Asia, two years ago. Indeed, the country was the scene, in 1992-93, of the most ambitious attempt at post-conflict peace-building the UN has attempted anywhere. Only the post-Dayton regime in Bosnia, largely outside the UN framework, is comparable in scope, and even there the international community has not formally taken over the government, as the UN did in Cambodia at a cost of more than $2bn.

Yet this week all that effort appears to have been for nothing, as the ex-communist leader Mr Hun Sen used force in oust his co-prima minister Prince Norodom Ranariddh. The prince leads the party which won the UN-supervised 1993 election and thereafter shared power with Hun Sen under a formula devised by the prince's father, King Norodom Sihanouk. Cambodia is to all intents and purposes back where it was before the 1991 Paris agreement, with Hun Sen in power in the capital but facing the prospect of renewed civil war in which remnants of the genocidal Khmer Rouge will inevitably play an important part, possibly on both sides.

The truth is that many clauses of the Paris agreement – notably those disarming the rival factions and bringing the Khmer Rouge under the rule of law – were never implemented. Yet western aid continnad to flow, justified by statemants like Mr Lord's, in spite of flagrant corruption and human rights violations.

A similar tragedy may well be about to unfold in Angola, where the collapse of the Mobutu regime in neighbouring Zaire has altered the balance of power, tempting the MPLA government to emulate Hun Sen and seek to eliminate its rival, Mr Jonas Savimbi, with whom under the *1994 Lusaka* agreement it had agreed to share power. Yet the UN Security Council has chosen this moment to replace its 4,000 peacekeeping troops with an observer mission of 86 lightly armed military officers and 345 civilian police. It appears to be repeating the error of 1992-93 when a similar-sized UN mission was powerless in prevent the slide back into war after the MPLA won the 1992 election.

In both countries – and in others too – the international community has been much too eager to declare victory and move on to other business. Peace-building is expensive: in money; sometimes in troops; above all in the sustained attention required from political leaders. Bnt the premature removal of that attention is a disastrously false economy.

British Airways

The strike of British Airways cabin crew is, in a sense, the first big industrial dispute of the post-Thatcher era. It is shaped by the industrial relations legislation and the managerial confidence engendered by Baroness Thatcher's government. But it is also influenced by the change in public mood that led to *Labour's* majority.

The stakes are high for both management and workers. Air transport is a competitive business dependent on service and reliability. Even a short strike hurts customer loyalty; a series would do serious damage.

But the risks are also high for the government and for trade unions generally. The dispute will set the tone for industrial relations in the initial years of the new government. It is not surprising that the prime minister has been determinedly avoiding any involvement in the dispute – or that Mr John Monks, general secretary of the Trades Union Congress, has made an unusual public intervention on behalf of the union.

At one level, the dispute is about the tensions between BA and ths cabin crew's main union, the Bassa division of the Transport & General Workers Union. At another level, the issue is continued change in a bnsiness which has already undergone a sweeping transformation, and is now doing well.

Mr Robert Ayling, BA's chief executive, has devised a clear vision for the airline's future. He has persuaded other parts of the workforce – including flight attendants who are members of the smaller Cabin Crew 89 union and some ground workers represented by other wings of the TGWU union – of the necessity of implementing it. But he has clearly not managed to persuade Bassa members. After last week's draconian threats against strikers, his chances of succeeding with persuasion are minuscule.

Once it becama clear last weekend that the strike would go ahead, the mood among BA managers hardened further: they are now set on achieving a new working relationship in the cabin, perhaps sidelining Bassa in favour of dealing directly with the TGWU's head office. Bassa's leaders are determined to preserve their role, and seem to have the ear of their members. The stage is set for a protracted confrontation, especially if the cabin crew succeed in using sick leave to avoid the penalties of striking.

For British Airways, there are now no good solutions, only a choice between bad ones. Even a notional victory would still mean years of work rebuilding cabin crew morale. The final outcome cannot be predicted; but the dispute is a warning in other UK managers that, with economic recovery well established, the industrial balance of power is shifting. Failure in take the workforce with them can carry a heavy price.

When the wheels come off

The continued rise of the pound is putting unremitting pressure on some UK exporters, says **Stefan Wagstyl**

The workers et Alloy Wheels, a Kent-based maker of car wheels, need no reminder of the impact of the ascent of the pound on UK exports.

Fifty of the 430 staff are losing their jobs this month and most of the rest face pay cuts as ths South African-owned company struggles to remain competitive overseas. "We are in a very difficult position," says Mr Lyn Evans, finance director et the factory, which exports about 40 per cent of its £35m ($59m) annual sales.

Like many other British engineering companies, it capitalised on the pound's weakness in the early 1990s to get into exports for the first time. Now, following the 23 per cent appreciation in the pound's trade-weighted valua since last summer, Mr Evans is having to reorganise the plant to stay in profit.

While Alloy Wheels may be an extreme example, its experiences are being rapeated across swethes of UK manufacturing. The Engineering Employers' Federation reported this week that the industry had lost 18,000 jobs since the beginning of the year due – at least in part – to sterling. It warned there were more job cuts to come.

The Office of National Statistics confirmed the grim picture with data showing a 1.1 per cent fall in manufacturing output in May, the biggest monthly drop in four years. And while some sectors of the service economy are booming – notably financial companies – other export-oriented businesses are undar growing pressure, including architects and designers.

With interest rates rising a further ¼ of a percentage point to 6.75 per cent yesterday and the prospect of further increases to come, the exporters' life is unlikely to get any easier. City economists predict sterling will appreciate further from DM2.96 now to DM3.00 before the year-end. This compares with DM2.30 a year ago.

"Clearly, it's having a serious impact on industry," says Mr George Simpson, managing director of GEC, the UK's biggest electronics group. "For long-cycle companies like GEC – where orders take a year or more to complete – it will take time to bite. But short-cycle businesses are squealing like stuck pigs."

It is a far cry from the early *1990s*, when *Britain's exports* soared after the pound's 16 per cent fall in the wake of its 1992 exit from the European exchange rate mechanism. With the global economy recovering from recession, UK export volumes jumped 10.8 per cent in 1994, followed by increases of 7.3 per cent and 6.7 per cent in 1995 and 1996. The government proudly declared an end to the long decline in Britain's share of world exports.

That boast sounds rather hollow today. It is becoming increasingly evident that some of those companies that dived into exports three years ago can no longer compete in 1997. To be fair, exports are still likely to rise this year – though City economists say they are unlikely to meet the government's 6.25 per cent growth forecast.

But many exporters are living on borrowed time: some are still benefiting from hedges taken out six or 12 months ego against adverse currency movements and others from the fact that customers have not yet found alternative suppliers.

This grace period is almost over. Mr John Borden, investor relations manager for British Steel, one of the UK's biggest exporters and one of the worst affected by sterling, says: "The *crunch [for UK manufacturers]* will come in the autumn."

Exporters had hoped the new Labour government would beed their cries for help more than the Tories. Bnt they were disappointed in the Budget, which did little to tighten the economy and so left it to the Bank of England to damp growth by raising interest rates.

Mr Bernard Matthews, chairman of turkey farming company Bernard Matthews, warns in an open letter this week in Mr Gordon Brown, the chancellor, and Mr Eddie George, the Bank of England governor, that over-reliance on interest rate policy could lead the country back into recession. "Remember, it is not only the exporters who are hit by our overvalued currency, bnt also any UK prodncer of goods which can be supplied to this country from e manufacturer from outside the country at a lower cost."

British industry is so diverse that the impact of sterling's appreciation varies hugely. Many larger exporters are substantial importers and so can offset their currency gains and losses. Some have prodnction bases overseas.

Companies that have concentrated on EU markets have suffered most because sterling has risen particularly steeply against *other European currencies*, which have dropped in value out of concern that the common currency created by European economic and monetary union may be weak. By contrast, exporters to non-European markets, where prices are often set in US dollars, have been squeezed less severely.

British Steel has estimated that its customers in the UK metals-based industries can hold their own against European rivals with the pound at DM2.50 or DM2.60.

But the growing specialisation of companies means thet industry-wide generalisations are of limited valne. Businesses differ in the degree to which they are exposed to short-term currency swings. Among tha most seriously affected are those trading in price-sensitive commodities such as metals, chemicals and textiles.

British Steel is shedding more than 2,000 of its 50,000 jobs in the first stage of an extended rationalisation programme, designed to offset the impact of sterling. Pre-tax profits, which have fallen from a record £1.1bn in 1995-96 to £451m in 1996-97, are expected by City analysts to drop even further in this financial year.

ICI, which competes directly with the big German chemicals *groups, this week suffered its* 54th profits downgrade since January, wben James Capel, the stockbroker, cut the forecast profit for 1997 from £470m to £355m.

Smaller chemicals prodncers are also under pressure. Mr Peter Youle, business development director of W. Canning, the speciality chemicals group which exports about two-thirds of its main products, warns the worst is yet to come. "I believe tbe impact of the high value of sterling really has a lag to it," be says. "If you make direct sales, then you are already feeling the pain. But if you sell through distributors, it takes a little while. I think these producers will run out of time in the third quarter of this year."

In engineering, there is a contrast between leading companies such as GKN, IMI and TI, and some smaller businesses. The big groups have mostly established diversified operations across Europe and North America. Customers are often supplied from factories in their own countries. TI estimates that, even though it has customers in 45 countries, only 20 per cent of sales are exports and only half of that UK exports. These companies suffer when their foreign earnings are translated into sterling for accounting purposes, but this does not reflect any change in trading conditions.

However, smaller UK-based engineering companies have no such protection from sterling. For example, many machine tool makers, wbich were among the prime beneficiaries of sterling's weakness in the early 1990s, are now under pressure. Mr Keith Bailey, chief executive of BSA Tools in Birmingham, which saw sales dooble from £3m to £6m after 1992, this year expects sales to fall to £4m unless the pound drops back. "It is an unprecedented situation. The City of London makes money whether sterling goes up or down. But we in manufacturing have got to have stability.

"In the last six months we have had to import machines that cannot be made here competitively," be adds. "We have also developed a joint venture in China where manufacturing costs are lower."

Many more successful companies, with proprietary technology or a strong brand name, enjoy big margins tbat offer some protection against adverse currency swings. Mr Ian Campbell, director-general of the Institute of Export, says that far more British companies produce premium products than a decade ago. But be warns that even companies which compete on quality are now feeling the pinch.

Process Scieotific Innovations, a maker of high-technology filters in County Durbam, says it only broke even in the year to April after sterling's rise wiped £200,000 off profits. Ms Sue Hunter, managing director, says sbe is considering switching some purchasing to Germany and possibly locating any future expansions overseas.

In Coventry, Amtico, a leading maker of floor tiles which has increased sales from £26m to £46m in five years thanks to exports, is this year bracing itself for a 15 per cent drop in sales. Mr *Tony* Rados, finance director, says: "It is a very tough time for us because Germany is one of our largest export markets. We are taking the hit because we sell in foreign currencies so that our customers can have certainty of price. Fortunately we are not in the predicament of some people, who are having to lay off employees, because we have had good growth in the UK and the US."

However, as the staff at Alloy Wheels have discovered, where sales and margins are under presaure, job cuts may not be far behind. As Mr Alan Armitage, head of economics at the Engineering Employers' Federation, says: "If sterling stays as it is, redundancies are likely to come at the double. I'm not saying this week, but by the end of tbe year."

Additional reporting by Chris Tighe and Richard Wolffe

· OBSERVER ·

East side story

■ Accusations of dirty tricks and skulduggery are sweeping the corridors of the European Commission over the handling of EU enlargement in central and eastern Europe.

Fingers are pointing at a group of officials around President Jacques Santer who would prefer to restrict the first wave of countries negotiating in join the EU to the Czech Republic, Hungary and Poland, shutting out economically advanced Estonia and Slovenia.

Jim Cloos, the president's powerful chief of staff, Carlo Trojan, soon to take over as secretary general of the European Commission, and François Lamoureux, the senior French civil servant in charge of enlargement, fear – like Chancellor Helmut Kohl – that too mnch expansion too quickly could dilute integration.

In the opposite corner stands Hans van den Broek, the stubborn Dutch commissioner responsible for enlargement. He *insists that Estonia and Slovenia* are ready to begin talks on accession, and that refusal to bring them in would be political discrimination.

Van den Broek's backers include fellow commissioner Martin Bangemann and the Scandinavians, who want at least one Baltic state in the first wave of enlargement. And UK commissioner Sir Leon Brittan has weighed in on his side.

In late 1994, you'll recall, Sir Leon lost the enlargement portfolio to the Dutchman in a carve-up of commission posts orchestrated by Cloos and Santer. Maybe, for once, personal rivalry has been buried in the interests of a sensible approach to EU expansion.

Hanging fire

■ Yasuda Fire and Marine has good reason in stand up for Sunflowers, the painting generally assumed, until this week, to be by Vincent van Gogh. Experts have now cast doubt on whether the one-eared wonder really did daub it himself, and Japan's second largest non-life insurer, which paid over $40m for the picture at Christies in London in 1987, has been energetically insisting that it's got "no doubts" about the picture. "We trust the anthority of Christies".

Ten years ago, the company *had to work hard to justify* spending such a sum. The purchase was one of the most conspicuous art acquisitions of the big-spending "bubble economy" era, and even drew a rare official rebuke – Japan's finance ministry described the colourful $40m masterpiece as an "excessive demonstration of wealth". Now Yasuda's doing a new round of justification. Any note of anxiety in its current statements is understandable: the insurance industry is having a hard time in the post-bubble era, and shareholders are getting increasingly worried about companies making huge investments that may, in the end, prove worthless.

Class act

■ Ambassadors to London need to be able to negotiate – or at least come to terms with – Britain's complicated class system. Maybe that's why the German foreign office seems to like an aristocratic "von", "Freiherr" (baron) or even "Graf" (count) to fill vacancies at the Court of St James. One popular recent ambassador was Herman von Richthofen, a descendant of the first world war "Red Baron".

It's all very appropriate for dealing with one of Europe's last grand-scale monarchies – especially one which also happens to be run by peopla with familial ties to Germany. But surely Tony Blair's dress-down New Britain, where ministers wear lounge suits to the most formal occasions and everyone is on first-name terms, calls for a more common touch.

Not according to the Auswärtiges Amt, which has named Gebhardt von Moltke, a scion of one of Prussia's top-drawer aristo-military families, as Germany's new ambassador to the UK. Von Moltke's fresh from a stint in Brussels at NATO, where he was involved in the negotiations for enlargement. No doubt he'll also have a few thoughts on the Eurofighter to share with the UK government.

Grounded

■ Brendon Donohoe, the new Irish chief executive of Air Zimbabwe, is taking on a presidential privilege in his first step in sort out the state-owned lossmaker.

Donohoe was apparently none too keen on travel-loving President Robert Mugabe's habit of commandeering an Air Zimbabwe plane whenever he got itchy feet. There have been at least 15 such trips this year alone, which have played havoc with the airline's schedules, quite apart from forcing the expensive chartering of replacement planes.

From now on, says Donohoe, the president and his entourage will travel on scheduled flights – first class, of course. Observer hopes Mugabe won't mind too much: Donohoe does have a two-year contract.

The Financial Times 50 years ago

Austria For Paris Talks
Austria yesterday informed the Allied Council for Austria that she had accepted the Anglo-French invitation to the Paris conference on the Marshall aid-to-Europe plan. The Czechoslovak government decided yesterday not to participate in the plan, the Czechoslovak news agency announced in Prague last night. Hungary's refusal to take part in talks was announced "with the keenest regret" after a Hungarian cabinet meeting. There has been no indication of what Albania's decision will be.

Argentine Rail Share-out
Last May, when Argentine rail stockholders were informed of proposed compensation prices for individual stocks, they were asked to suspend judgment on the terms until they had examined the detailed scheme of arrangement and explanatory circulars. These documents are now available. But alas! Stockholders who search them for adequate explanation of the methods employed in assessing the values of different stocks will probe in vain. They will find much historical matter, of intrinsic interest but of doubtful relevance to the immediate issue, together with emphatic warnings of the peril of raising opposition to the terms.

FINANCIAL TIMES
Friday July 11 1997

Troops shoot one man dead and seize another

Nato steps up hunt for Bosnian 'war criminals'

By Guy Dinmore in Belgrade, John Kampfner in London and Lionel Barber in Brussels

Nato troops in north-west Bosnia yesterday shot dead a former Bosnian Serb police chief charged with war crimes and seized another suspect in dramatic "snatch" operations to bring accused war criminals out of former Yugoslavia for trial.

The early morning operations involved British troops and prompted a furious Bosnian Serb reaction.

It was the first known attempt by Nato soldiers to use force to arrest war crimes suspects in Bosnia, and followed signs of a tougher policy at this week's Nato summit.

Nato leaders expressed frustration that while the war crimes tribunal in The Hague had indicted more than 70 people, only a handful had appeared before the court.

Mr Robin Cook, the UK foreign secretary, said in London that Mr Simo Drljaca was killed after he shot a British peacekeeper in the leg while resisting arrest.

In a separate operation, Nato troops pretending to deliver a Red Cross package seized Mr Milan Kovacevic at Prijedor hospital where he was director, the Serb statement said. British officials said Mr Kovacevic would be handed over to the war crimes tribunal. The tribunal had issued sealed warrants charging both men with war crimes – part of an initiative introduced last month to increase the chance of arresting suspects.

Nato officials denied there was any change in the troops' mandate to direct them to hunt down wanted criminals. But Mr Cook said Nato soldiers in the Bosnia Stabilisation Force already had full authority to carry out such operations.

"These two men were within the British sector of Bosnia, they were known to our forces and that is why they were apprehended," he said. The UK government yesterday pledged further action to chase war crimes suspects.

Meanwhile, the European Commission announced it had frozen all economic aid to the Bosnian Serb republic. The Commission has spent about Ecu30m ($27m) on aid to the Bosnian Serbs – 3 per cent of total aid to Bosnia – chiefly to encourage links with other communities in Bosnia.

Earlier this year, the Commission held out the prospect it would funnel as much as Ecu1.4bn to the Bosnian Serb republic if it complied with the Dayton peace accords. But officials said aid would only resume once war criminals were brought to trial in The Hague.

Bosnian Serb police in Prijedor said Mr Drljaca, their former commander, was "brutally murdered" in the village of Gradina in the Bosnian Serb republic. Five Nato helicopters and several armoured vehicles took part in the operation, a police statement said.

Cambodian entry to SE Asian body put on hold

By Ted Bardacke in Bangkok

The Association of South-East Asian Nations yesterday postponed Cambodia's entry into its ranks because of the recent violence which threatens to plunge the nation back into civil war.

Asean will still admit Burma and Laos as planned. The decision to admit the three was taken less than six weeks ago and its partial reversal is a blow to Asean's goal of having all 10 south-east Asian countries under one banner at its 30th anniversary celebration on July 24 in Kuala Lumpur.

The decision is particularly damaging for Mr Hun Sen, Cambodia's prime minister, who ousted Prince Norodom Ranariddh, his co-premier, in a series of military clashes this week.

Asean said it still recognised Prince Ranariddh as co-premier and would send a high-level mission to Beijing to meet Cambodia's King Norodom Sihanouk to explore ways of solving the crisis.

That mission would be headed by Mr Ali Alatas, Indonesia's foreign minister and one of the architects of the 1991 Paris peace accords which led to the United Nations intervention in Cambodia and the formation of its shaky coalition government. Mr Alatas would be accompanied by Mr Domingo Siazon, the Philippines' foreign minister.

Mr Siazon said the mission would then attempt to make contact with Prince Ranariddh and Mr Hun Sen and secure a deal.

Mr Hun Sen reacted immediately: "Asean countries must let us solve our problems on our own. Please stay out of our internal business."

Before Asean's decision, Mr Hun Sen denied he had led a coup d'état. He accused Prince Ranariddh of a "reckless strategy of provocation" which included trying to create an electoral alliance with the Khmer Rouge guerrilla group.

Diplomats said Asean, which reaffirmed its policy of non-interference in nations' internal affairs, had little choice but to take a leadership role in trying to defuse the conflict.

"The Asean reaction is crucial," said a senior western diplomat whose country was also a signatory to the 1991 peace agreement. "If they hadn't done anything it would have indicated that the Paris accords meant nothing at all." The UN was likely to back Asean's move, diplomats said.

The international community indicated its displeasure with Mr Hun Sen's takeover yesterday by pressing ahead with evacuation of foreigners.

Editorial Comment, Page 21

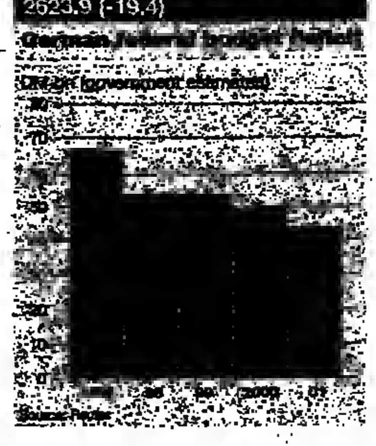
THE LEX COLUMN

Gassy figures

Investors who eagerly snapped up Gazprom shares last year will surely be thrilled that the company is finally deigning to reveal, to international accounting standards, how much money it makes. Whether the figures mean much, however, is another question. They suggest the Russian gas colossus is generating a return on capital of under 8 per cent – and the international shares are trading on an ambitious 26 times historic earnings. But beware: these numbers rely on rather academic historic cost valuations of Gazprom's labyrinthine asset base. Furthermore, revenues counted when gas is dispatched, overlooking Russia's vast non-payment habit, are bound to look artificially strong.

Even in the cash-flow statement a certain scepticism is in order when 57 per cent of accounts receivable are settled through barter. Still, a few points stick out. One is that, much as Gazprom may whinge about its customers' non-payment, it is quite a non-payer itself. What Gazprom is owed may have grown by R19,410bn ($3.35bn) last year, but its own debts to others have increased by an almost-as-impressive R14,929bn And this figure excludes a R24,541bn rise in unpaid taxes due to the government. Even without paying its taxes, moreover, Gazprom failed to generate enough cash to cover its staggering R56,840bn investment bill. Hence Gazprom's crying need for Western capital – which is precisely why the company is gradually having to open itself up.

FTSE Eurotrack 200: 2623.9 (-19.4)



Germany

Rules are meant to be broken. That, at least, seems to be the attitude of Mr Theo Waigel, Germany's finance minister. Based on yesterday's revised budget forecasts, the federal deficit will reach DM71bn this year – a third higher than Mr Waigel predicted only a few months ago. At that level, it will break not only the constitutional "golden rule" under which net borrowing must not exceed investment; it also means Germany is highly unlikely to meet the Maastricht deficit criteria for monetary union – at least not 3.0 per cent, though Mr Waigel is still pretending otherwise.

In fact, the debate over the number after the decimal point – Germany's 1997 deficit will probably come out at 3.4 per cent – is becoming a little sterile. As Mr Hans Tietmeyer, the Bundesbank president, pointed out again yesterday, what really matters is underlying economic convergence. On that score, Germany should be fine: its 1998 deficit has a good chance of falling below 3.0 per cent, partly helped by revaluing the Bundesbank's foreign exchange reserves. The real worry is France, which is likely to overshoot 3.0 per cent in both 1997 and 1998.

Domestically, however, the German government has missed a huge opportunity. Instead of using the prospect of monetary union to push through structural reforms – such as overhauling the welfare and pension systems and deregulating the labour market – it is fudging and tinkering its way towards Emu.

GEC/Finmeccanica

Only two days after promising to break free from General Electric Company's web of joint ventures, what has its new managing director delivered? Another three. To be fair, such are the national sensitivities surrounding defence industry restructuring in Europe that joint ventures have to play some role – if only to save face. Moreover, cutting a deal with Italy's Finmeccanica is some compensation for GEC's repeated rebuffs from France's Thomson-CSF.

That said, the whole arrangement looks a fudge not best designed to achieve the significant savings and enhanced revenue that should be available. The main missile systems venture will be equally owned and involve rotating managing directors. Mutual agreement will be required to bring in new partners. And, because GEC's business is more profitable than Finmeccanica's, it will probably receive cash from the Italians – to add to an already embarrassing mountain. At least, the first MD will be from GEC and the venture will use the British company's financial control systems.

The hope must be that these arrangements are only temporary and that GEC will eventually gain control of at least the main venture. The precedent of Marconi Alenia Communications, originally a 50:50 venture with Finmeccanica and now 95 per cent owned by GEC, is encouraging. GEC must also be hoping that signs of it snuggling up to the Italians will bring the French to the negotiating table from fear of isolation. But investors should not count on it.

UK rates

How rapidly has the euphoria surrounding the Bank of England's independence dissipated! Labour's election victory and the decision to let the Bank set interest rates saw the spread between gilt and bund yields shrink 50 basis points; that gain has been mostly surrendered. Investors are appreciating just how hard it will be for the Bank to bring the emerging consumer boom under control – a task made even more tricky by last week's Budget which heaped taxes on companies rather than individuals.

Yesterday's quarter-point rate rise seems a fair enough response for the time being. A larger rise, say a full percentage point, could have shocked consumers out of their borrow-and-spend mentality – but at the expense of stoking sterling's fires when exporters are already squealing. Still, further rises will almost certainly be needed. The difficulty will be knowing when to stop.

The most obvious risk for gilts is that the Bank is too slow to respond. What if peak rates of 9 or 10 per cent are needed to control inflation, instead of the 7½-8 per cent the market now expects? Will the Bank have the stomach to take action if sterling simultaneously shot well over DM3? The possibility that it would – in a macho desire to prove its credibility – and that this would turn out to be overkill is also worrying for gilts. If the Bank was blamed for causing a recession, could one be confident that it would maintain its independence?

Additional Lex note on foreign income dividends, Page 28

Eurotunnel approval

Continued from Page 1

he was not "in love" with the restructuring plan, but "it is the only realistic plan and the only one on the table".

Eurotunnel's shares and the price of its bank debt on the secondary market both rose significantly in the past few days as it became more likely the plan would be approved. The shares were suspended yesterday at the request of the company before the EGM.

All Eurotunnel's 174 creditor banks must approve the plan. They have been set an initial deadline in September to express any objections.

Mr Ponsolle also said yesterday Eurotunnel would extend into the autumn its negotiations with TML, the consortium of contractors which built the tunnel and with which it is in dispute.

Boeing plea

Continued from Page 1

would have an overwhelmingly dominant position in the civil aircraft market, making it difficult for Airbus Industrie, the European consortium, to compete.

One possible solution would be for Boeing to sell McDonnell Douglas's civil aircraft business.

However, Boeing - backed by the US Federal Trade Commission - says this is not a solution, because that business could not survive on its own or as part of another group.

Morgan Stanley targets internet

Direct banking challenge is planned

By Tracy Corrigan in New York

Morgan Stanley, Dean Witter, Discover, the recently merged financial services group, is considering starting a direct banking business over the internet using the Discover credit card brand name.

The move would be the first full-scale attack on traditional commercial banking from outside the sector. To date, innovations in electronic banking have been launched by leading commercial banks such as Citibank and Wells Fargo.

Mr Philip Purcell, chairman of the investment banking, brokerage and credit card group, said it was looking at using Discover to launch "something as radical as Discover Banking Direct". The service would also include telephone banking.

The Discover card, which was established in 1986, has 48m cardholders and is one of the best known retail brands in the US.

"We like the internet," Mr Purcell said. "We think younger customers are going to be as comfortable with that as they are with ATMs (automated teller machines). It is a market segment which is going to do nothing but grow."

However, he did not expect the size of the internet market to exceed the conventional retail banking and brokerage market within his lifetime.

The group has already established its commitment to developing internet-related businesses. Last December, Dean Witter, Discover, as it then was, became the first full-service brokerage to buy an internet discount broker. Lombard Brokerage, the San Francisco-based internet brokerage, was widely viewed as the largest and most successful of such independent internet brokers.

Mr Purcell declined to comment on whether the business was profitable, but said he was "very willing to invest" in it. Most internet broking businesses are not yet making money, due to low margins and the need for heavy investment to develop the business.

Lombard recently changed its name to Discover Brokerage Direct, after research showed that the Discover brand name appealed more strongly than others, including Dean Witter, to cost-conscious users of the service.

The internet banking scheme is the latest sign of the importance attached to the Discover brand in the company's plans following the completion of the merger with Morgan Stanley on May 31.

Mr Purcell said he hoped to launch the Discover card internationally in the next two years. But he added that security concerns were holding back the use of the internet for credit card transactions.

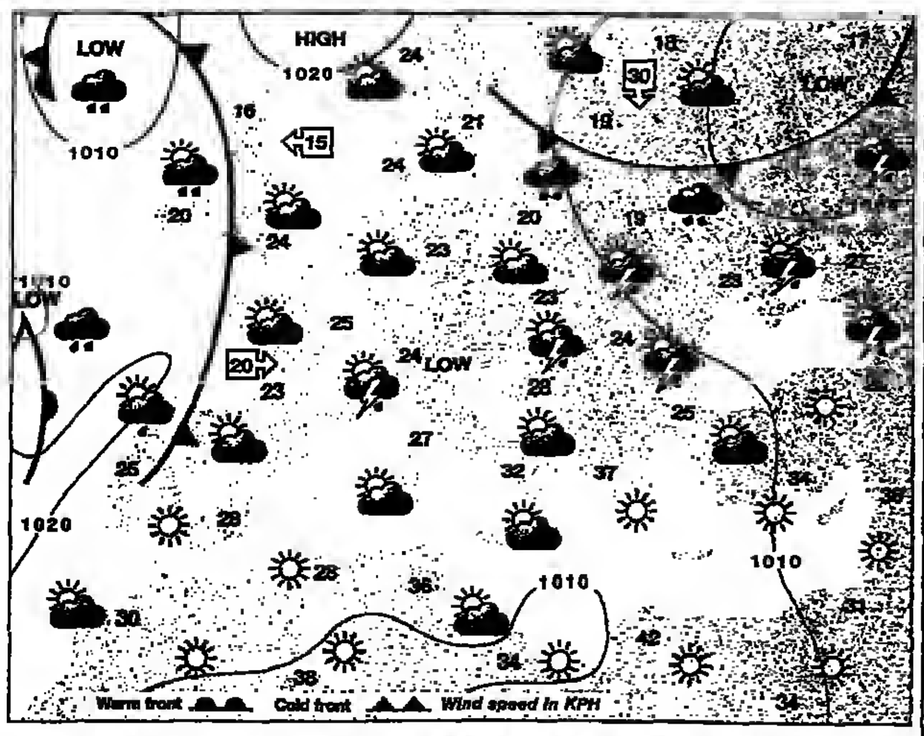
FT WEATHER GUIDE

Europe today

The Benelux, northern France, and parts of the UK will have a mix of sunshine and cloud. Germany will have sunny periods. Southern France will have rain and thunder showers and some sunny spells.
The Mediterranean coast will be dry. Most of Spain will have sunshine, but the north-west will have cloud and showers. It will be sunny over most of Italy, Greece and Turkey. The western Balkans will have some sunshine. There will be thunder showers over Romania. Showers are expected over the interior of Russia.

Five-day forecast

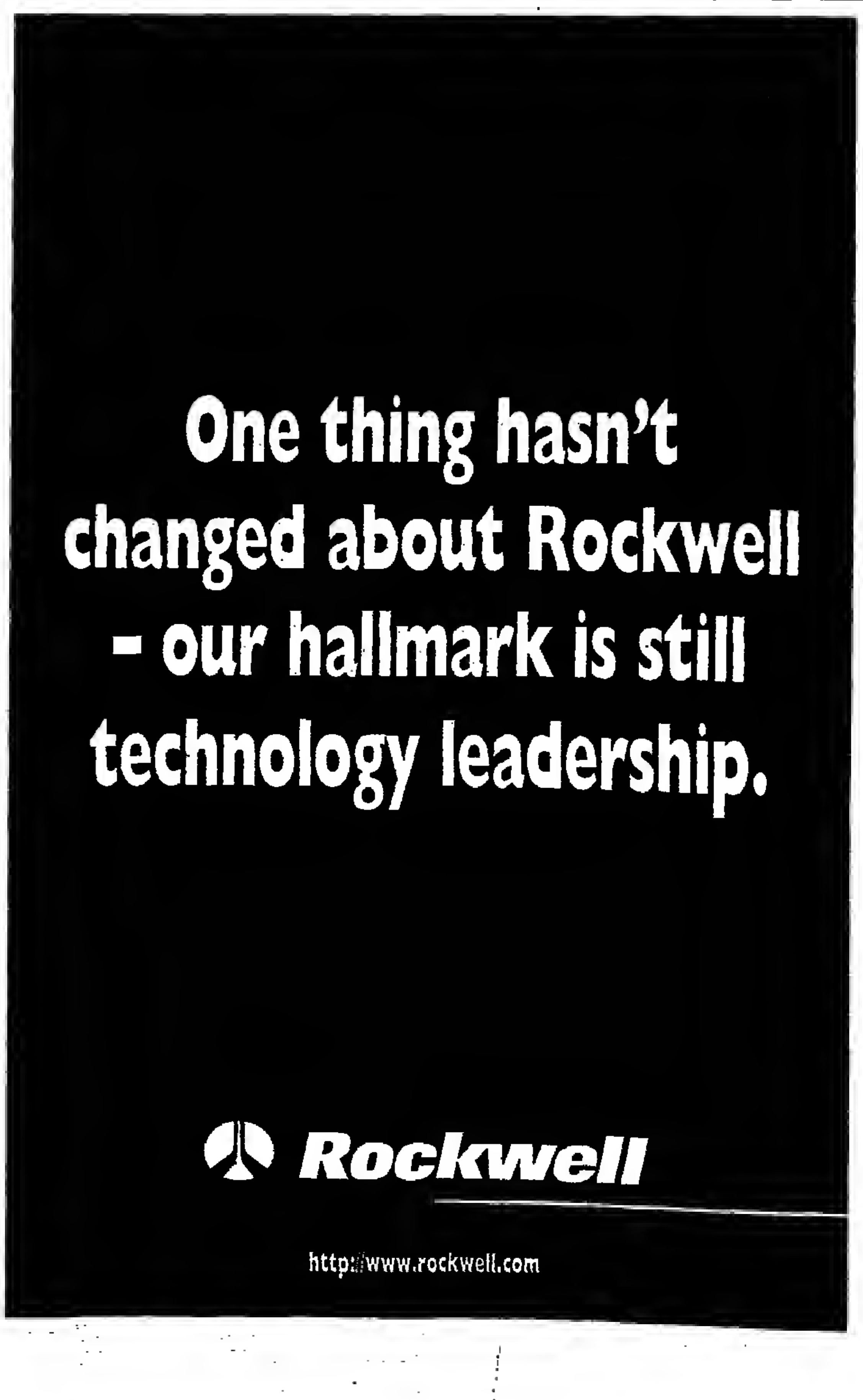
During the next few days, north-western Europe will become more settled, but, by Sunday, a new disturbance will bring rain and thunder showers to western Spain and western France. By early next week, most of north-western Europe will be affected by this system.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 34	Caracas	fair 32	Faro	sun 26	Madrid	sun 30	Rangoon	rain 31
	Celsius	Belfast	thund 22	Cardiff	cloudy 23	Frankfurt	fair 25	Majorca	sun 28	Reykjavik	rain 15
Abu Dhabi	sun 38	Belgrade	cloudy 26	Casablanca	fair 23	Geneva	thund 25	Malta	fair 30	Rio	fair 26
Accra	thund 26	Berlin	fair 23	Chicago	sun 26	Gibraltar	sun 28	Manchester	fair 23	Rome	sun 29
Algiers	sun 26	Bermuda	fair 30	Cologne	fair 25	Glasgow	fair 22	Manila	shower 34	S. Frsco	sun 22
Amsterdam	fair 25	Bogota	fair 17	Dakar	fair 30	Hamburg	fair 22	Melbourne	fair 13	Seoul	rain 30
Athens	sun 31	Bombay	shower 32	Dallas	fair 35	Helsinki	fair 21	Mexico City	fair 25	Singapore	fair 32
Atlanta	thund 32	Brussels	fair 24	Delhi	cloudy 38	Hong Kong	thund 32	Miami	thund 32	Stockholm	fair 21
B. Aires	rain 14	Budapest	thund 23	Dubai	sun 39	Honolulu	fair 32	Milan	cloudy 24	Strasbourg	fair 26
B.ham	fair 24	C.hagen	cloudy 21	Dublin	shower 21	Istanbul	fair 29	Montreal	fair 27	Sydney	cloudy 15
Bangkok	rain 34	Cairo	sun 31	Dubrovnik	sun 27	Jakarta	fair 32	Moscow	fair 18	Tangier	sun 26
Barcelona	sun 24	Cape Town	sun 17	Edinburgh	cloudy 20	Jersey	fair 18	Munich	fair 26	Tel Aviv	sun 30
						Karachi	cloudy 36	Nairobi	fair 24	Tokyo	rain 26
						Kuwait	sun 47	Naples	sun 29	Toronto	sun 26
						L. Angeles	fair 25	Nassau	fair 32	Vancouver	shower 19
						Las Palmas	sun 28	New York	sun 29	Venice	fair 25
						Lima	fair 24	Nice	fair 25	Vienna	shower 23
						Lisbon	sun 25	Nicosia	sun 33	Warsaw	shower 20
						London	cloudy 25	Oslo	fair 23	Washington	sun 30
						Lux.bourg	shower 24	Paris	fair 25	Wellington	fair 10
						Lyon	thund 26	Perth	fair 17	Winnipeg	thund 30
						Madeira	fair 25	Prague	fair 22	Zurich	cloudy 22



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FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 11 1997 Week 28

IN BRIEF

Daimler-Benz to repay investors

Daimler-Benz, the German motor and industrial company, said it would compensate investors after it moved to cancel the exchangeable notes it had intended to use to sell its stake in Cap Gemini, the French software consultancy. It said that investors which bought the bond would now be repaid at 104 per cent of the issue price early next month. Page 26

Wine producers' market move
Quality Rioja wine is moving from the cavernous bodegas where it is stored in northern Spain to the booming computerised market of Madrid's Bolsa. Barón de Ley and Cune are the first two wine producers to seek a stock exchange listing. Page 26

GM diesel deal a blow for Opel
Isuzu, the Japanese commercial vehicle manufacturer, has been given a worldwide mandate to develop diesel engines for General Motors, the US carmaker. The move highlights the increasing importance of Isuzu in General Motors' global strategy and is likely to reduce the role of Opel, GM's European arm. Page 24

Compaq starts PC sales battle
Compaq Computer, the world's third largest computer manufacturer, has sparked a new battle for the PC market with the launch of four cut-price models. The announcement came as Compaq reported net income before exceptional items of $422m in the three months to June, a 58 per cent rise on a year earlier. Page 25

Gold prices consolidate
Gold prices have consolidated slightly in the past couple of days following a $14-per-troy-ounce drop triggered by news last week that Australia's central bank had sold two-thirds of its reserves. Central banks in Belgium and the Netherlands also sold some reserves. Page 32

Gazprom publishes results
Gazprom, the giant Russian gas company, has published its first results prepared under International Accounting Standards to mark its evolution into an accountable corporation. Page 26

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Herlitz	164	+	7
Mannheim Vers	1051	+	91
Falls			
Allianz	408.5	-	11.0
Preussag	527.5	-	14.5
Rheinmetall Prf	343	-	12
Volkswagen Prf	1062	-	38
NEW YORK ($)			
Rises			
Barrett Res	27⅞	+	1⅞
Ipsco Inc	33¾	+	2⅛
Maxicare	22⅝	+	2⅛
Unifirst Corp	23⅝	+	1⅞
Falls			
AnnTaylor	16⅝	-	2⅛
Lowes Co's	35⅝	-	3⅞
LONDON (Pence)			
Rises			
Lambert Howth	135	+	17½
Roxboi	134½	+	63½
Falls			
Br Biotech	152½	-	33
Phonelink	50½	-	16
Rotork	227½	-	23½
Skillsgroup	126½	-	68
TORONTO (C$)			
Rises			
Ashton Mng	3.6	+	0.6
Can South Pet	16.45	+	2.20
Guardian Cap	27.5	+	6.9
Viceroy Res	4.20	+	0.61
Falls			
Intl Curator	4.5	-	0.4
Moffat Comms	24.00	-	0.25

PARIS (FFr)			
Rises			
Guilbert	834	+	17
Falls			
Elf Aquitaine	658	-	17
Sanofi	582	-	12
Seb SA	1056	-	69
Taittinger	2780	-	100
Valeo	400.5	-	14.0
TOKYO (Yen)			
Rises			
Alps Electric	1660	+	70
Aoki Chain	471	+	51
CSK	4510	+	290
Gakken	598	+	34
Isuzu Motors	435	+	48
Nagasakiya	326	+	29
HONG KONG (HK$)			
Rises			
Cosco Pacific	13.60	+	0.85
Kowloon Motor	16.65	+	6.65
New World Dev	46.3	+	1.6
SHK Ppt	89.75	+	3.00
Falls			
First Pacific	9.10	-	0.15
Jardine Int Mtr	6.65	-	0.25
BANGKOK (Baht)			
Rises			
Far East	110	+	10
Hipro Electro	52.50	+	4.75
KR Precision	258	+	24
Falls			
Ayudhya Ins	180	-	20
GSS Elec	63.5	-	7.0
Kim Geen	58.5	-	6.5

New York and Toronto prices at 12:30.

UK and Italian groups to create three defence joint ventures with $3.4bn total sales

GEC and Finmeccanica agree link-up

By Ross Tieman in London

Britain's General Electric Company and Finmeccanica, the Italian state-controlled holding company, yesterday agreed to pool elements of their defence businesses.

The outline agreement provides for their subsidiaries, GEC-Marconi and Alenia Difesa, to create three joint ventures, with sales exceeding £2bn ($3.38bn). These will cover missiles, naval systems, radar, avionics and guns and armoured vehicles.

Collaboration between the UK defence electronics champion and Alenia Difesa, which accounts for 70 per cent of Italian defence manufacturing, will raise pressure on France to join in rationalisation of the European defence industry.

It represents a coup for Mr George Simpson, managing director of GEC, who on Tuesday revealed proposals to build up GEC's defence interests as part of a strategic blueprint.

"Over the next three or four years we aim to reduce the number of GEC businesses which are in joint ventures and not wholly managed by GEC," Mr Simpson said. "But in defence, joint ventures are essential because of the political background and national concerns over security."

Talks about integrating parts of GEC-Marconi and Alenia Difesa began more than a year ago when GEC was led by Lord Weinstock and Finmeccanica by Mr Fabiano Fabiani.

But Mr Simpson, who took over at GEC last September, and Mr Alberto Lina, who became chief executive of Finmeccanica this year, have been keen to achieve greater economies of scale in defence research and manufacturing.

Mr Lina said the deal "can be considered a European response" to consolidation of the US defence industry. Iri, the Italian state company that owns 62 per cent of Finmeccanica, said it had given its blessing to the agreement.

GEC-Marconi and Alenia Difesa will set up three joint ventures over the next year. The central element will be a 50/50 company with annual sales of £1bn, pooling missile systems, naval systems, ground-based radar and command and control systems.

In a second step, GEC-Marconi will acquire a minority interest in the Alenia Difesa avionics business – number three in Europe behind GECMarconi and Thomson-CSF of France. Combined sales will total £800m.

Finally, Alenia Difesa, will acquire a minority stake in GEC-Marconi's smaller guns and armoured vehicles business. Combined sales will total £250m.

GEC shares rose 7½p to 359½p.

Lex, Page 22

Source: Company

At a glance	Rbs 000bn
Sales	126.2
Net other income	[illegible]
Operating profit	[illegible]
Pre-tax profits	[illegible]
Net income	[illegible]
Earnings per share Rbs	[illegible]

Sales breakdown	Rbs 000bn
Gross sales of gas	
Russia and former Soviet Union	[illegible]
Europe	54.2
Net sales of gas	[illegible]
Gas condensate/other oil products	4.2
Other revenues	8.0
Net sales	126.2

Gazprom hit by tax penalties

By John Thornhill in Moscow

Huge financial penalties imposed on Gazprom for late payment of its taxes last year depressed net income at the giant Russian gas company to Rbs8,980bn ($1.7bn).

In its first set of accounts prepared under international accounting standards, Gazprom revealed yesterday that it had paid Rbs15,799bn ($3.1bn) in penalties and interest payments on its overdue tax bill in spite of being owed far more by its customers.

Uncertainty over the figures caused Gazprom's internationally-traded shares to fall from £18.25 to £17.65. Nonetheless, the 1996 accounts confirmed Gazprom as Russia's most profitable company and one of the world's wealthiest energy concerns.

Based on last year's results, Gazprom was among the world's 10 most profitable private energy companies. Without the tax penalties it would have ranked third behind Royal Dutch Shell and Exxon.

The accounts, which provide the first intelligible glimpse of Gazprom's finances, included a maiden profit and loss account and cashflow statement. A preliminary balance sheet for 1995 was prepared last year before a $429m international equity offering.

Industry analysts said the accounts highlighted Gazprom's immense strengths with sales of Rbs126,239bn and assets of Rbs506,074bn at the end of last year.

That gave the company enormous scope to gear up its balance sheet to finance future development. Gazprom's net debt to equity ratio was less than 3 per cent, extremely low by international standards for such a capital-intensive business.

But the accounts also showed the difficulties the company has in squeezing cash out of its customers. It received a large proportion of its revenues in the form of barter. The company indicated capital expenditure would be 35 per cent lower this year at Rbs32,500bn.

Mr Nikolai Arutyunov, an industry analyst at Brunswich Brokerage, a Moscow-based finance house, said: "The major problem confronting Gazprom is how quickly they can restructure their payment flows. As soon as this is fixed, the quality and quantity of their earnings will rise sharply."

Lex, Page 22
Behind the high walls, Page 26

Restructuring proposal boosts Tsingtao shares

Chinese brewer's success may depend on assets to be put into Hong Kong division

By John Ridding in Hong Kong

Shares in Tsingtao Brewery, one of China's biggest beer producers, rose 15 per cent in Hong Kong yesterday as the company announced plans for a restructuring to improve competitiveness.

The reorganisation involves the creation of a holding company which would be backed by the Shandong provincial government and could remove unprofitable assets from the Hong Kong-listed division.

More attractive assets could be injected into the Hong Kong vehicle, the company said.

Mr Li Gui Rong, who took over as chairman last year, indicated that decisions had yet to be taken on the assets involved. But the group said the restructuring would improve growth prospects and reduce operating costs.

The proposed restructuring marks the latest shift in strategy at Tsingtao, which has failed to meet expectations since it became the first Chinese enterprise to list in Hong Kong in 1993. Competition in China's fragmented beer market and delays in investment projects have prompted a fall in profits in recent years, while shares have plunged from a peak of almost HK$10 at the end of 1993. After yesterday's gain of HK$0.45 they closed at HK$3.425.

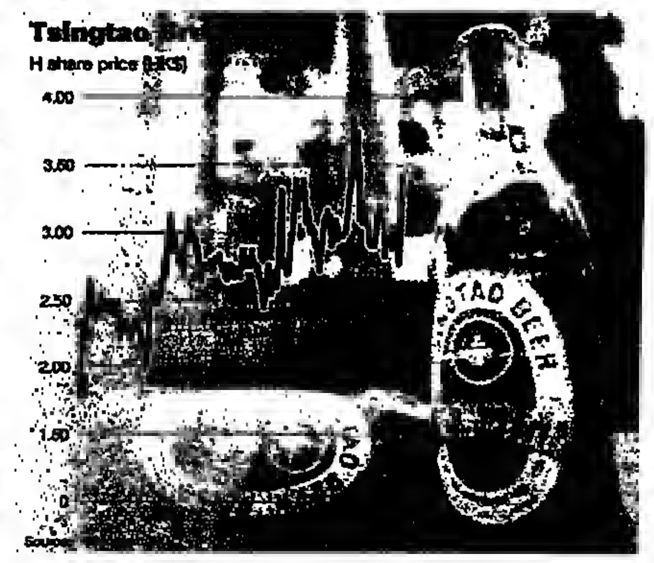
Analysts were cautious about prospects at Tsingtao. "Brewing in China remains a very difficult market and they have failed to deliver in the past," said Ms Pitzi Lau, of Salomon Brothers in Hong Kong. She said attempts to expand away from the group's stronghold in Shandong province, acquisitions of smaller brewers, and alliances with foreign companies, such as Anheuser Busch of the US, had failed to improve performance.

Last year, net profits fell more than 70 per cent to Yn25.68m ($3.1m). Analysts predict a sharp increase in results this year, with Nikko Securities predicting net profits of Yn49m. But with shares trading at more than 40 times prospective earnings, analysts remain wary.

Analysts said the success of the restructuring would depend on the scale of cost cuts and the assets to be injected to the Hong Kong arm. "The key factor will be whether they can secure attractive assets," said one analyst. "That is what has been driving the red chips," he added, referring to mainland-controlled companies managed in Hong Kong.

Sentiment towards H-shares, shares of Chinese companies listed in Hong Kong, such as Tsingtao has improved in the past year, with the H-share index having risen more than 20 per cent since July 1996.

However, red chip shares have seen stronger gains and investors remain wary about prospects for H-shares after the falls in their share price and disappointing earnings.



Profits confirm revival at GPA

By John Murray Brown in Belfast

GPA, the Ireland-based aircraft leasing company, which came close to collapse after a failed share flotation in 1992, yesterday confirmed its return to health with profits of $105m for the year to March 31 after tax and exceptional items.

GEC made losses of $995m in 1993 and $26m in 1994 but returned to the black in 1995 with after-tax profits of $54m.

Operating revenues fell from $1.13bn to $374m, mainly because GPA reduced its fleet by selling 229 aircraft to Airplanes Group, a special-purpose investment vehicle set up in a $4.6bn refinancing package in March last year.

Leasing revenues earned by Airplanes Group will be directed to repay investors who had accepted bonds in lieu of GPA debt.

Mr Dennis Stevenson, chairman, said 1996 had been a year of consolidation, with GPA continuing the "task of reducing the company to a size consistent with its equity base".

GPA now has a direct leasing interest in 76 aircraft, including 14 Boeing A320-200s and 12 B737-400s, and a further 24 through its joint venture company with ATR, the Italian Italian-French aircraft company.

Yesterday's after-tax figure includes a one-off $50m gain on aircraft sales, and a charge of $21m against its investment in the GPA ATR 50:50 joint venture. The company also realised a profit of $17m on the sale to GE Capital of a deferred interest in 18 aircraft.

ValuJet agrees $68m merger with AirWays

Low-cost carrier's name to go in wake of Florida Everglades crash

By Richard Tomkins in New York

The ValuJet name, still associated in the minds of Americans with an airline disaster that killed 110 people last year, is to disappear after the company decided to merge with AirWays Corp, parent of Florida-based AirTran Airways.

ValuJet Inc, parent of ValuJet Airlines, is effectively taking over AirWays in an all-stock transaction worth $68.6m. But the new parent company will be named AirTran Holdings, and the ValuJet Airlines subsidiary will be renamed AirTran Airlines.

The deal ends a long struggle by ValuJet, a low cost-carrier, to rebuild confidence in its name after the crash in May last year in which everyone on a ValuJet DC-9 was killed when it burst into flames and plunged into the Florida Everglades.

Federal regulators closed down the airline for more than three months to conduct an intensive review of its operations, and afterwards permitted only a gradual return to full service. The airline has not made a profit since.

ValuJet's problems rubbed off on other low-cost carriers because it shook public confidence in the safety of small airlines. As recently as May, AirWays said adverse publicity about low-cost carriers was partly to blame for its after-tax losses of $7m in the year to March, compared with profits of $1.2m the year before.

Low-cost carriers have also been suffering tough competition from the big airlines, which have been winning back passengers by cutting costs and cutting some fares.

On the other side of the Atlantic, intensifying competition has prompted similar cost-cutting efforts by British Airways, only to embroil the airline in industrial action.

ValuJet has a fleet of 30 aircraft serving 24 cities from its base in Atlanta, Georgia. AirTran Airways has a fleet of 10 aircraft which fly leisure travellers from 23 cities to Orlando, Florida.

Although ValuJet has been losing money, it is not in immediate difficulties because it has substantial cash balances from the days when it was one of the US's most successful start-up airlines. At the end of March, it had $137m.

Mr D. Joseph Corr, ValuJet president and chief executive, said the merger had been driven by economics. Although the two companies would continue to operate separately, they would be able to share overheads, he said. The change of name would show "that we are new and we are different."

Mr Stephen Klein, an equity analyst at Standard & Poor's, said he doubted the merger had been arranged just to change ValuJet's name. "But if you had the choice between the one name or the other, which would you choose?"

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Isuzu to develop diesel engines for GM

By Michiyo Nakamoto in Tokyo

Isuzu, the Japenese commercial vehicle manufacturer, has been given a worldwide mandate to develop diesel engines for General Motors, the US carmaker.

The move highlights the growing importance of diesel engines for General Motors and the increasing importance of Isuzu in its global strategy.

Isuzu will take on responsibility for the development of all diesel engines used by GM, other than those in very large trucks. Its activities will cover diesel engines for passenger cars as well as trucks in Japan, the US and Europe.

The move is likely to reduce the role of Opel, GM's European arm, as a supplier of diesel engines to the group, although it could continue to produce them.

Talks are under way on how to consolidate diesel engine production, which is carried out in the US, Japan and Europe by GM, Isuzu and Opel.

The Jepanese group, which is building a Y26bn ($231m) engine factory in Poland, has developed a direct injection diesel engine for small passenger cars, which is more fuel-efficient, less noisy and has lower emissions than existing diesel engines.

Direct injection engines have been used in larger vehicles, but Isuzu'e new technology "holds out the potential that we could see penetration of diesel engines into the smaller paseenger car market", said Mr Edward Brogan, analyst at Salomon Brothers in Tokyo.

While many European vehicle makers are developing smaller direct injection diesel engines, Isuzu's engine is believed to be the smallest yet, with a capacity of 1,700cc.

Isuzu will eupply Opel with the new engines and is also seeking to supply other carmakers in Europe.

Carmakers are increasingly looking at diesel engines to reduce the emissions of carbon dioxide that lead to global warming.

While diesel engines make up about 20 per cant of engines used in passenger cars in Europe, they constitute only ebout 3 per cent of the Japanese passenger car market and are hardly used at all in passenger cars in the US.

The benefits in Isuzu's new technology of greater fuel efficiency, lower CO_2 emissions, less noise and lower nitrogen oxide emissions, could make diesel engines more attractive to US drivers, notes Mr Brogan.

Growing environmental concerns make it likely that diesel engines will find greater acceptance in Japan and other Asian countries.

Green Cross in deal to sell US Aids drug

By Gwen Robinson in Tokyo

Shares in Green Cross, the Japanese pharmeceutical company involved in a scandal over the sale of HIV-tainted blood products, rose more than 4 per cent yesterday on the news it had gained the rights to sell an Aids drug in Japan on consignment from Bristol-Myers Squibb, the US drug manufacturer.

It will be the first Aids-related drug to be marketed domestically by Green Cross and is expected to help the company pay the buge damages owing in the contaminated blood products case.

Green Cross shares closed at Y455, up Y15.

The drug, D4T, also known as Zerit Capsule, is similar to another popular Aids drug, AZT, and had US sales of nearly $85m in the year to February. Green Cross will sell the drug after it gets final sales approval from the Japanese health ministry, which it expects this month.

The company, which began as Japan Blood Bank immediately after the second world war, became the country's top manufacturer of plasma derivatives.

It launched a restructuring this year with support from banks, following the arrests of its top executives.

In March, three former presidents pleaded guilty to charges of professional negligence resulting in death through the company's sale of contaminated blood products.

The executives were accused of approving continued sales of Christmassin, an unheated blood product, in 1986, even though safer beat-treated products were evailable and they had been notified of the risks of unheated products.

Two other cases, which are still pending, are targeted at the alleged failure of bealth ministry bureaucrats to halt the sale of unsafe blood products.

Public criticism in the wake of the revelations led to a boycott of Green Cross products. The company has also agreed to pay more than Y20bn ($177m) in out-of-court settlements to some of those infected with HIV from its products.

A change in management resulted in plans to merge Green Cross with another pharmaceutical company, Yoshitomi Pharmaceotical, within the next year. The merger has been seen as a rescue operation for Green Cross.

NEC, one of Japan'e leeding semiconductor manufacturers, is investing an additional £200m ($337m) to expand and upgrade its semiconductor plant in Scotland (above), writes Michiyo Nakamoto in Tokyo.

The investment will take production capacity from 20,000 wafers e month to 30,000 in the second half of 1998, NEC said. The Scottish plant will use 0.25 micron process technology to produce the next-generation 256 megabit dynamic random access memory chips, as well as highly advanced system-on-a-chip products. The decision reflects NEC's view that the Scottish plant is one of the group's most efficient semiconductor plants.

NEC is moving fast into higher value-added semiconductor products as the market for current generation 16-bit D-Rams remains under pressure. Production of 16-megabit D-Rams will remain stable at 13m units a month, while that of 64-megabit D-Rams will rise from 1m units a month to 3m units by the end of December.

Macronix invests T$200bn in new plants

By Laura Tyson in Taipei

Macronix International, a Taiwanese maker of microchips, yesterday announced plans to invest T$200bn (US$7.18bn) within 10 years to build three or four advanced 12-inch wafer fabrication plants.

The plan makes Macronix the sixth Taiwanese chipmaker to announce a large-scale high-tech expansion in recent months in what is fast becoming one of the world's most dynamic and competitive chip production bases.

Macronix said it would soon announce at least two big co-operation projects with foreign clients that would yield significant new orders. Mr Wu Min, chairman, said Macronix won US$110m in orders from Nintendo, the Jepanese video games maker, after several years of co-operation.

The company has set ambitious 1997 performance targets of T$2.7bn in net profit on sales of T$14bn.

The Macronix investment plan is dwarfed by development plans unveiled in recent months by market leader Taiwan Semiconductor and its rival United Microelectronics, Taiwan's second biggest chipmaker. These are worth T$400bn and T$500bn, respectively.

ASIA-PACIFIC NEWS DIGEST

Packer cuts stake in US insert group

Mr Kerry Packer, the Australian media magnate, has sold his majority interest in Valassis Communications, the US print insert group, for US$432m. Valassis and Mr Rupert Murdoch's News Corporation dominate the US$1bn US print insert market.

The sale, which reduces Mr Packer's holding in Valassis from 50.3 per cent to 5.4 per cent, has increased speculation that Mr Packer is building a warchest to increase his stake in John Fairfax Holdings, Australia's largest newspaper group.

Publishing and Broadcasting, Mr Packer's publicly-listed company, owns 17 per cent of John Fairfax. The government is expected to make e decision on rules on cross-medie ownership within the next two months.

John Arbouw, Sydney

■ AUSTRALIAN RETAILING

Woolworths' sales up 9.25%

Woolworths, the Australian retailing group, said sales for the 53 weeks to June 29 were A$15.57bn (US$11.6bn). On a 52 week to 52 week basis, sales were up 9.25 per cent.

Mr Reg Clairs, chief executive, said the increase was mainly due to expansion in the food division. The company bought the Cannons chain of supermarkets in March 1996.

Mr Clairs said Woolworths increased its market share in both food and general merchandising, in spite of the low level of consumer confidence. He said the increased sales should keep the group's profits in line with market expectations.

John Arbouw

■ MALAYSIA

Trade Winds surges to M$197m

Trade Winds, the Malaysian manufacturing, trading and plantations group, earned M$197.1m (US$78.7m) last year, a 84.9 per cent increase. Turnover rose 3.4 per cent to M$457.6m.

The group attributed the increase to an improved performance at MNI Holding, formerly known as Timah Langat, which contributed M$108.7m. The manufacturing and trading division rose 36 per cent due to higher productivity and an increase in operating margins, but the plantations unit was hit by lower palm oil prices.

Asif Huda, Kuala Lumpur

■ GOLD

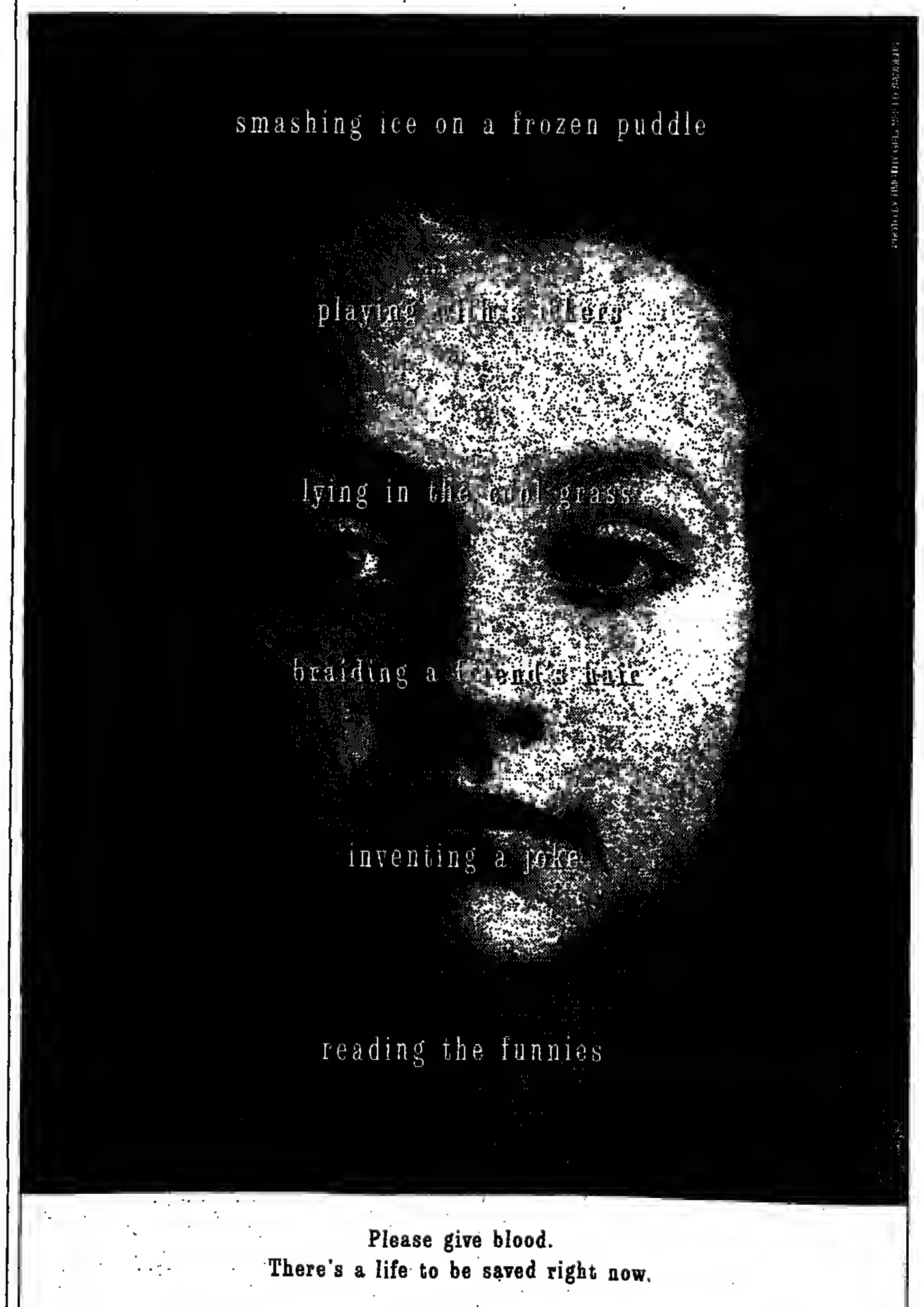
Record production at Normandy

Normandy Mining, Australia's largest gold producer, yesterday reported record gold production of 1.5m ounces last year, as well as record zinc, copper and lead output. The company achieved a net realised gold price of A$598 an ounce compared with a A$446 per ounce spot price for the three months to June 30.

Mr Robert Champion de Crespigny, executive chairman, said the company's strategy to lower gold production costs, and a 50 per cent increase in zinc output coupled with a higher zinc price, should substantially lift results, which are to be announced next month.

Mr Champion de Crespigny also announced that the board had decided to list Normandy on the Toronto and Montreal stock exchanges in October to allow investors easier access to the company.

John Arbouw



JP Morgan earnings beat forecasts

By Tracy Corrigan in New York

J.P. Morgan'e financial performance proved better than expected in its second quarter, in the face of more difficult market conditions.

The bank reported net income per share of $1.85 in the three months to end-May – above analysts' estimates of $1.76, but down on the previous quarter and the same period last year.

"Morgan's global business gained momentum through the second quarter, after a slow start," said Mr Douglas Warner, chairman.

Most financial institutions were hurt by volatile market conditions in March, when the US Federal Reserve raised interest rates. However, unlike J. P. Morgan, most companies which have not yet reported – including Salomon and Merrill Lynch – started their second quarters in April. These will include June, when market conditions were highly favourable.

J. P. Morgan'e net income of $374m was down from $424m in tha first quarter and $440m a year ago. However, profits were held back by heavy investment, with operating expenses rising 12 per cent on the previous year, to $1.791bn. The increase included a $28m charge in connection with the renovation of office space in New York.

Mr Warner said that investment banking results were the strongest in the company's history. Revenues from advisory services and from debt and equity underwriting increased 31 per cent, to $255m.

The bank has invested heavily in its equity underwriting and mergers and acquisitions business.

In equities, the firm won several notable mandates in the quarter. It arranged Hertz's $480m initial public offering and a $750m equity offering for American Stores.

In M&A, the firm ranked seventh in completed global transactions in the first half of the year, according to Securities Data, unchanged from last year.

Asset management revenues increased 12 per cent to $392m, reflecting growth in investment management and private client activities.

● J. P. Morgan has appointed two additional board members to reflect a commitment to workforce diversity. Ms Ellen Futter, president of the American Museum of Natural History, is the second women to join the board. The other new director is Mr Paul Allaire, chairman and chief executive of Xerox, who is well known for his commitment to diversity issues.

General Electric surges to record

By Richard Waters in New York

General Electric'a second-quarter earnings rose 13 per cent to a record $2.16bn, beating analysts' expectations and putting the most valuable company in the US well on course to top $8bn for the year.

The latest figures continue the long string of double-digit earnings gains under Mr Jack Welch, reinforcing the company's standing as a stock market favourite for the breadth of its earnings basa and the remarkable consistency of its growth. Its shares rose $¾ to $69⅝ in early trading yesterday.

Of the group's 12 businesses, nina regiatered double-digit gains in operating profits for the quarter, GE said. Two saw their profits fall: the group'a small information services unit, which suffered from growing competition among providers of electronic commerce, and the medical instruments business, which recorded a charge to reflect a legal ruling that it had infringed patents on a medical scanner.

Earnings at GE Capital Services, the financial services arm and the only business for which it reports results separately, rose 17 per cent from a year ago to $798m, or 37 per cent of the total. The advance came on a continued stream of foreign acquisitions, as GE Capital seeka to repeat its growth in the US on a global scale.

Two of Mr Welch's recent initiatives to drive tha expansion of all the group'a businesses – a move into more international markets, and sales of more parts and services around the company's installed equipment base – were important factors behind a 15 per cent increasa in revennes, to $22bn, GE said. It added that qnality improvaments, which have also been at tha centre of Mr Welch's efforts to maintain GE'a growth momentum, contributed to an increase in the operating profit margin from 16.3 per cent to 17.1 per cent.

The latest earnings were equivalent to 66 cents a share, a rise of 14 per cent, in part reflecting a continuation of the share repurchase programme that saw GE buy back another $862m of its own stock in the period.

Improved Compaq launches cut-price PCs

By Nicholas Denton

Compaq Computer, the world's third-largest computer manufacturer, sparked a new battla for the personal computer market yesterday when it launched four cut-price models following its efficiency gains in the second quarter.

The announcement came as Compaq reported net income before exceptional items of $422m in the three months to June, a better-than-expected 58 per cent rise on a year earlier, on sales up 25 per cent at $5bn. Earnings per share of $1.48 exceeded the $1.39 forecast by analysts.

Mr Eckhard Pfeiffer, Compaq president and chief executive, said: "Our outlook continues to call for a strong second half."

But the shares, which had anticipated a surprise with a 21 per cent rise in the previous aeven trading days, dropped back $1¼ to $118¾ amid concerns about pressure on margins as a result of price competition.

Yesterday's price cuts, which see one "tower" PC model fall from $1,850 to $1,550, will elicit a quick reaction from Hewlett-Packard, the second-biggest manufacturer, which is planning reductions of up to 25 per cent next week.

The moves are a response to gains in market share by Dell Computer and Gateway 2000, two manufacturers which eliminate costs by shipping directly to customers rather than distributing through "resellers".

Competition from the direct sellers has already forced Compaq to tighten up its manufacturing process, demonstrated in the second quarter by a reduction in inventory from 60 to 39 days worth of sales.

This streamlining, and an acceleration of the rate at which inventory is turned from 7.1 to 10.4 times a year, boosted Compaq's results by lifting its cash balance to $5.1bn in June, up 165 per cent on a year earlier.

Compaq also said it would build computers "to order", as Dell has done, to avoid the accumulation of surplus stocks of unpopular models which has bedevilled companies such as Apple.

In a later phase, it plans to begin shipping stripped-down PCs to distributors, allowing them to install hard-disk storage devices and memory according to the amount customers demand.

Satisfying a bigger appetite

When Americans eat away from home, they rarely ponder the contribntion they are making to the profits of the food service industry. Yet distributing food and other supplies to caterers is big business in the US – and it is growing fast.

"It's something you don't think about, that there are billions and billions of dollars' worth of food products moving every day on the roads to the warehouses, and then to individual restaurants, hospitals and colleges," says Mr Jim Miller, chairman and chief executive of JP Foodservice.

"It's a huge industry, but it's almost invisible."

Even so, the food service business gained a higher profile at the end of last month with the announcement that JP Foodservice and Rykoff-Sexton, two of the sector's larger operators, were to merge in an all-stock transaction valuing Rykoff-Sexton at about $685m.

The deal will create a company with a customer base of more than 130,000 restaurants, hotels, schools and office cafeterias across the US. It will supply them not only with industrial-size quantities of meat, fish, vegetables and condiments, but with cleaning products, lavatory paper, cutlery and everything else that restaurant operators need to run their businesses.

The deal caps a string of smaller acquisitions by JP Foodservice: in the past year alone, it has bought four other food service companies with combined annual sales in excess of $400m. With the acquisition of Rykoff-Sexton, JP Foodservice will become the biggest food service company in the US after Sysco, the industry leader.

US food services: joining forces for growth

Mark Van Stekelenburg, chairman and CEO of Rykoff-Sexton

Jim Miller, chairman and CEO of JP Foodservice

Leading US food service companies

Sales ($bn, 1996)

Source: International Distribution

Picture: David W Lucas

Significantly, however, even after the merger, JP Foodservice's annual sales of $5.2bn will give it less than 4 per cent of the US food service market – an indication of how fragmented the industry is. Mr Miller says more than 3,000 companies are operating in the sector, most of them local distributors with annual sales of just a few million dollars each.

In one sense, the opportunities for these companies might seem to be growing, hecause tha food service business itself is growing so fast. A recent report by McKinsey, the management consultancy, predicted that the US food service industry's annnal sales would rise by $80bn over the next 10 years because of an increasing tendency among Americans to eat away from home.

But increasing competitive pressures are forcing smaller operators to seek mergers with larger companies – as elsewhere in much of US industry, where a seemingly insatiable thirst for economies of scale has contributed to the recent record-breaking levels of merger activity.

In the case of the food service industry, several factors are driving the trend towards conaolidation. Merged companies can become more competitive because they achieve savings by sharing overheads and increasing their bnying power. JP Foodservice expects its merger with Rykoff-Sexton to deliver $70m worth of savings in the next three years.

These savings can be especially important in technology. Food service companies are trying to become more responsive to their customers' needs – for example, helping them manage their inventories more efficiently by providing just-in-time deliveries. To do this effectively requires heavy investment in technology, such as computers in delivery vehicles, and the costs can be absorbed more easily within a larger organisation.

Another factor in favour of mergers is a desire among some customers to have a "one-stop shop" for their food service needs. Small, regional companies can ba at a disadvantage when bidding for big, national accounts. Conversely, JP Foodservice's merger with Rykoff-Sexton will turn the combined company into the only national distributor other than Sysco.

So far, most of the consolidation in the food service industry has involved takeovers of relatively small companies. JP Foodservices' merger with Rykoff-Sexton differs because it involves two of the top 10 groups: and with ths competitive stakes rising, industry observers are wondering how much longer it will be before the next big deal.

Richard Tomkins

Discovery and BBC explore S America

By Raymond Snoddy

Discovery Communications of the US and the BBC said yesterday they planned to launch two satellite channels in Latin America as a 50-50 joint venture.

The two channels are Animal Planet – which is devoted to wildlife programmes and which has already been launched in the US and Europe – and a new channel, People and Arts.

The Latin American channels are the latest fruit of a strategic alliance announced last September between Discovery, which is 49 per cent owned by TCI of Denver, and the BBC.

Mr John Hendrix, the founder of Discovery, which specialises in factual and documentary television, said the plan was to take both channels global.

As part of the growing relationship between the two organisations, the BBC received a 20 per cent stake in Animal Planet in the US in return for access to its wildlife programmes. The BBC also gets paid for its programmes.

Animal Planet is already in 22m US homes and should be in 30m by the end of the year.

Since the initial agreement between the two companies, Animal Planet had created an asset worth $100m for the BBC, Mr Hendrix said. "That is only a taste of tha valnes that will be created over the next few years," he added.

Discovery is prepared to invest $500m-$600m in developing new channels with the BBC, without the BBC having to put up any risk capital.

"Our risk is lessened when wa enter a market knowing that the BBC is on our side and not competing with us," Mr Hendrix said.

The Discovery founder added that the two were evaluating other possible channels, including a world Science channel.

Mr Bob Phillis, depnty director-general of the BBC and head of its commercial operations, said most issues surrounding the joint venture had been agreed and it was now a case of "tidying up the loose edges."

AMERICAS NEWS DIGEST

Nortel to invest $125m in Brazil

Canada's Northern Telecom is to invest US$125m in a cellular telephone equipment plant in Brazil as part of a concession awarded earber this week to provide cellular services in São Paulo. Nortel is a member of a consortium led by BellSouth, the US telecommunications group, and Banco Safra, the Brazilian bank, which won the concession. The consortium bid $2.47bn, more than four times the specified minimum price.

Nortel's portion of the contract, valued at $300m, will include designing and building a digital cellular network.

Nortel and BellSouth earlier collaborated on setting up wireless networks in Israel, Chile and the south-east US.

The São Paolo contract is the second of 10 new regional concessions in Brazil to be auctioned to the private sector. A group led by Bell Canada won the first concession, in a central-west region, last month. *Bernard Simon, Toronto*

■ PAPER AND PULP

Georgia-Pacific optimistic

Georgia-Pacific, the US pulp and paper group, said it saw some price improvements late in the second quarter and foresaw further improvements in the second half of the year. It reported net income of 30 cents a share for the three months ended June 30, compared with 1996 second-quarter income of 6 cents. The First Call consensus estimate of Wall Street analysts was 24 cents a share. Georgia-Pacific's pulp and paper business reported operating profits of $12m for the three-month period, compared with profits of $33m a year ago. *Reuters, Atlanta*

■ VENEZUELAN POWER

Elecar to invest $141m

Electricidad de Caracas (Elecar), Venezuela's largest private power company, announced a $141m investment plan to expand and improve the generation, transmission and distribution of power in the greater Caracas area in response to growing demand. Nearly one-third of the investment will go towards new information technology to increase control over operational costs and improve administrative efficiency. Elecar severely scaled back its investment plan last year as below-inflation tariff rises caused a drop in revenue. *Raymond Colitt, Caracas*

■ MEDICAL PRODUCTS

Abbott matches expectations

Abbott Laboratories, the US drugs and medical products group, reported second-quarter earnings of $522m, or 68 cents a share, exactly matching Wall Street expectations. The result compared with earnings of $470m, or 60 cents, in the same period last year. Worldwide sales were $2.9bn, up 7.5 per cent. Sales in the pharmaceutical and nutritional division were up 9.4 per cent at $1.7bn, while hospital and laboratory product sales totalled $1.2bn, up 4.9 per cent. *Reuters, Chicago*

■ HOTELS

Marriott upbeat

Marriott International, the hotels group, said it expected its "strong performance" to continue as it reported higher second-quarter results. Net income rose from $75m to $83m, or from 55 cents a share to 61 cents, in the three months to June 20. Sales rose from $2.35bn to $2.88bn. *Agencies, Washington*

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Daimler to cancel Cap Gemini notes

By Graham Bowley in Frankfurt

Daimler-Benz, the German motor and industrial group, said yesterday it would more than fully compensate investors after it moved to cancel the exchangeable notes it had intended to use to sell its etake in Cap Gemini, the French software consultant.

The move to reassure investors follows the decision on Wednesday by CGIP, the French holding company which already owned e 20 per cent stake in Cap Gemini, to use its right of first refusal to purchase Daimler's 24.4 per cent stake for about DM1.4bn ($795m).

The decision made redundant the earlier move by Daimler-Bens to use exchangeable bonds to place its share with investors in an innovative issue arranged by Goldman Sachs, the US investment bank.

The bond issue was heavily subscribed and was due to settle at the end of this month. Daimler said yesterday thet investors that bought the bond would now be repaid at 104 per cent of the issue price early next month.

The bonds are trading at about 4 per cent above the launch price.

CGIP has used Daimler's stake to raise its own share in Cap Gemini from 20 per cent to 30 per cent.

It has sold tha remaining shares purchased from Daimler-Benz to other market investors, through J. P. Morgan and Société Générale. This was to evoid breaching the 33 per cent level of ownership which under French stock market rules would have forced it to make a full – and costly – bid for Cap Gemini.

Daimler said the decision by CGIP meant it would receive a large non-recurrent income in the second half of this year. Analysts said Daimler had realised a very large capital gain on the deal. "They are very pleased with this deal," said a source close to the transaction.

Under the bond issue, investors would have been able to exchange the notes st any time for shares in the French company. By placing the stake in the form of exchangeable notes, Daimler had aimed to avoid depressing the market.

The stake was owned by Daimler-Benz Inter-Service (Debis), the group's financial services and mobile telecommunications division.

Daimler decided to sell its stake in Cap Gemini to raise capital to strengthen its own information technology business.

Daimler said it would also buy Cap Gemini's 19.6 per cent stake in Debis Systemhaus, part of Debis.

This is expected to cost the German group about DM300m.

Behind the high walls at Gazprom

Gazprom's first resnlts prepared under International Accounting Standards mark a milestone in the giant Russian gas company's evolution into a transparent and accountable corporation.

By stripping away the mysteries that have surrounded its finances, Gazprom has allowed outside bankers, shareholders and competitors to gain a clearer understanding of its strengths and weaknesses.

"There is nothing mystical about Russian accounts," says Mr Bruce Edwards, a partner at Price Waterhouse, who led the audit team. "There is a huge misconception that Russia is somehow different, but I do not see it being much different to anywbere else."

The audit may reassure potential creditors and make it easier for the company to raise money on the international capital markets. But the increased transparency will also lead to a higher level of critical scrutiny, intensifying the pressures on management.

The stark numbers in the accounts, though, conceal an extraordinary human effort that went into trying to gain a true and fair financial view of this industrial giant.

By any measure, Gazprom is a colossal company. It accounts for about 8 per cent of Russia's gross domestic product and one-third of the world's known gas reserves, and operates enough pipelines to circle the globe nine times.

To most auditors, Gazprom would rank as their wildest dream – or their worst nightmare.

Price Waterhouse, which charged $12m for the audit and related work, devoted 45 staff to the task with an additional 25 specialists at peak times.

The most-travelled team member flew the equivalent of 3.5 times around the world in the first year to take a view on the company's Arctic reserves and assess the value of its social assets, such as schools, bospitals and farms.

Mr Edwards says that the quality of the financial information collected within Gazprom was extremely high, but it needed to be reinterpreted for the IAS format.

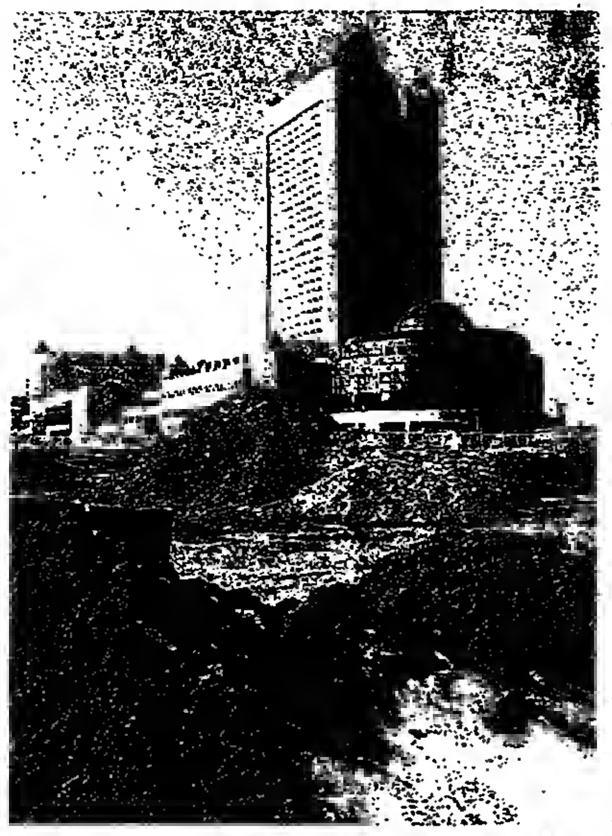
"The biggest problem was the sheer size of the company and its history. Gazprom was formerly a ministry which was made up of 70 to 80 autonomous units. There were ebout 1,000 independent accounting units within these snbsldiary enterprises," he says.

The audit team encountered some initial reluctance to share information with outsiders – it was not long ago that information about Gazprom's gas reserves was a state secret.

"This inhibition . . . was very sbort-lived," Mr Edwards says. "If an anditor does not get the information, he will qualify his report."

The precise scale and value of Gazprom's gas reserves will not be known until an international surveying firm releases its findings. For the purposes of the audit, however, a rough approximation was all that was required.

Mr Edwards says that the auditor's interest was to ensure the company had sufficient reserves to support its assets, chiefly the pipeline.



James Hill

A relnctance to co-operate with the audit was short-lived

"That has an estimated lifeline of 20 years while the gas reserves are estimated to be 80 years," be says.

Fortunately, Price Waterbouse did not have to check every mile of Gazprom's pipeline network.

"You do not know thet the pipeline exists because it is mostly underground," says Mr David Gray, another member of the audit team. "But the fact that the gas pops up in Germany gives you a pretty good clue."

John Thornhill

Vintage year for Spain's Bolsa

By Tom Burns in Madrid

Quality Rioja wine is moving from the cavernous *bodegas* where it is stored in northern Spain to the booming computerised market of Madrid's Bolsa.

Barón de Ley and Cune are the first two wine prodncers to seek a stock exchange listing, and both yesterday reported strong demand for shares in initial public offers that will be completed early next week.

Barón de Ley is placing negrly 75 per cent of its stock, which was previously controlled by Mercapital, the venture capital firm, in an issue worth abont Pta10bn ($67m).

The issue is aimed at domestic and international institutions and is co-ordinated by Merrill Lynch, the US bank.

Demand for Barón de Ley shares is running at 15 times the number offered and the final price, due to be fixed on Monday, is likely to be set at the top of its Pta1,950–Pta2,250 range.

Family-controlled Cune, which is offering 25 per cent of its stock in a placement that includes a 7 per cent capital increase, closed its book on Monday, the first day of the subscription period. Demand rose to five times the number of shares on offer.

The Pta2.83bn placement, which is primarily aimed at small Spanish savers and is co-ordinated by Santander Investment, the domestic bank, was priced et a maximum Pta3,900 a share.

The successful arrival of Rioja wine on to the high table of domestic capital finance underlines the growing breadth of the Bolsa, at a time when its index has gained more than one-third since the beginning of the year.

However, Santander Investment has underplayed the Cune issue to avoid a repetition of the bectic trading that followed the listing in March of Adolfo Domínguez, the fashion designer.

That IPO, similarly sold to retail investors, was 100 times subscribed and its shares caused chaos on the Bolsa when their issue price doubled in value on the first day of trading.

In addition to Adolfo Domínguez, a series of listings this year – such as the hotel group Sol Meliá and the fast food company TelePizza – have added depth to the Bolsa and broadened its investor appeal.

Barón de Ley and Cune are riding the crest of a Spanish quality wine wave as demand outstrips production capacity.

Barón de Ley aims to lift its sales volume from 8.6m litres last year to 10.8m by 2001.

Cune, which has complete control of its processing procedure, aims to add a further 450,00 litres to its present 5.8m-litre capacity.

Falling prices behind Gold Fields' decline

By Mark Ashurst

Gold Fields of South Africa, the mining group poised to come under the control of black investors, yesterday kicked off the quarterly reporting season with a fall for the June quarter.

However, Mr Keith Spencer, general manager of gold operations, said tbe group had achieved its aim of containing rising costs at its deep level mines.

"This was a very pleasing result. Working costs stayed more or less the same . . . Revenue was down because of the gold price," he said.

Analysts had predicted that the furtber drop in bullion prices, which this week fell to a 12-year low, would depress profits at the world's third-largest gold producer in the current quarter.

Net profit before capital expenditure fell from R236m to R192m ($42.6m) for tbe period to June 30.

The average gold price received fell by 4.5 per cent to R49,411 a kg. Unlike last year, when the sharp devalnation of the rand against the dollar belped South African mines in a weak bullion market, the currency has remained relatively stabla.

Rembrandt, tbe mining and industrial group which owns 40 per cent of GFSA Holdings, Gold Fields' parent company, is in talks with New Africa Investments, South Africa's biggest black-owned company, to give it joint control of Gold Fields.

The move could install Mr Cyril Ramaphosa, deputy chairman of New Africa and past president of the National Union of Mineworkers, at the head of the mining group.

Gold Fields reported a sharp recovery at the Kloof mine after stoppages during the previous quarter. Operating profit almost donbled from R28.3m to R46.4m, helped by a 15 per cent rise in gold output to 5,572kg.

Deelkraal, due to be merged with a neighbouring mine owned by Anglo American, South Africa's biggest company, reported an operating loss of R3.4m, compared with a profit of R1.1m previously. The mine will be sold to Anglo by October.

Gold price firms, Page 32

Eurotunnel's investors make voices heard

By Andrew Jack in Paris

What the more radical shareholders of Eurotunnel may have lacked in power, they made up for in voice at the extraordinary general meeting of the cross-Channel rail operator held yesterday.

More than 2,000 investors had gathered at the largest conference hall in Paris to witness the most important recent event in their company's history, with a chance to vote on its £8.5bn ($14.36bn) financial restructuring with creditor banks.

Accompanied by a few whistles and a trickle of applause, Mr Patrick Ponsolle, the company's co-chairman, walked on to the stage, and quickly answered the first and most important question: whether his recent efforts to generate a quorum of 25 per cent of its 920m votes had been sufficient.

The news that he had indeed eucceeded brought applause from supporters of the moderate Association of Eurotunnel Shereholders, which decided to vote in favour of the plan last week. Its president, Mr Christian Cambier, was named a scrutineer for the forthcoming vote.

While his group sat together at the front like teachers' pets, Adacte, the more extremist shareholder association, had other ideas. It has pushed for Eurotunnel to be placed in the bands of the French insolvency courts.

Mr Albert Jauffret, Adacte'a leader, said: "We want to make Ponsolle fall," calling the bluff of the chairman, who had threatened to resign if he could not achieve a quorum. He rallied his members in the bope that they would swing the balance of power and prevent the EGM taking place.

With that battle lost, the group switched tack, entering the hall and sitting at the back like classroom rebels letting ont periodic outbursts during the presentations of Eurotunnel's directors and other speakers. "Rubbish", "frand", "lies", they called ont, alongsida other less printable insults.

Between each presentation, a Belgian shareholder attempted to speak out. When he eventually managed to seize the podium, his convolnted comparisons between the Channel link and a Japanese tunnel project met a mixed reaction, and he was forced to retreat.

Mr Ponsolle told investors that be boped they would vote "not with resignation, but with encouragement for our staff, executives and the perspectives of the company".

Among those present – many of whom had seen substantial savings made all but worthless – the mood seemed one of bitter acceptance by people confronted with no realistic alternative.

Eramet chief set to stay

By Samer Iskandar in Paris

Mr Yves Rambaud, chairman of Eramet, has emerged as the main beneficiary of the French government's latest attempts to resolve its conflict with minority shareholders of the French metals and mining group.

After a meeting this week of Eramet's board of directors, the company said it was considering the reappointment of Mr Rambaud as chairman.

Mr Alain Juppé, the former prime minister, wanted to replace Mr Rambaud because of his opposition to government plans to strip Eramet of a nickel concession in New Caledonia, a move demanded by some nationalists in the French Pacific territory.

This week's decision was made "with the approval of Erap", the state-owned holding group that holds 55 per cent of Eramet, according to the board. It will be submitted to shareholders at the annual meeting on July 31.

The former administration supported a plan by SMSP, a company controlled by Kanak nationalists, to build a smelter with Canadian mining group Falconbridge, using nickel from Eramet's concession. The Koniambo concession, with roughly 500,000 tonnes of reserves, accounts for a quarter of Eramet's resources.

Mr Lionel Jospin, the new socialist prime minister, has asked Mr Philippe Essig, former president of the national railway SNCF, to submit "before the end of the summer, a study on the economic and industrial perspective" of a nickel transformation plant.

The government confirmed its "wish to see the building of a nickel transformation plant in the north of the island".

The likely reappointment of Mr Rambaud is expected to npset Union Calédonienne, the nationalist party whose president set a 48-hour ultimatum on Tuesday for the replacement of the chairman. However, the nationalists should be pleased that the government now plans to appoint two Caledonian directors to the board.

EUROPEAN NEWS DIGEST

KGHM rises 12% on Warsaw debut

Shares in KGHM Polska Miedz, the Polish copper group, surged 12 per cent to 23.5 zlotys yesterday in their first day of trading in Warsaw. Local retail investors, who paid 19 zlotys a share, saw a 24 per cent rise in the stock. The privatisation of KGHM was the largest disposal of an industrial company in Poland.

Trade in the shares was worth 116m zlotys ($35.2m), almost half of the Warsaw Stock Exchange's total volume yesterday.

At yesterday's closing share price, KGHM has a market capitalisation of 4.7bn zlotys. This raises the value of the shares traded on the WSE by 12 per cent 43.7bn zlotys.

As much as 21 per cent of KGHM's equity is to be listed abroad in the form of Global Depositary Receipts, and the copper company is the first large central European industrial producer to be listed in London. Local institutions and small investors hold 15 per cent of the equity, while management and employees are to be handed a further 15 per cent. The Polish treasury retains 49 per cent.

The sale, which was handled by UBS, BZW and the local Wielkopolski Bank Kredytowy, was 4.3 times subscribed by foreign institutions at a price of 21 zlotys a share. *Christopher Bobinski*

■ REMY COINTREAU

Downgrades hit shares

Analysts have revised their profit forecasts for Rémy Cointreau, the French wines and spirits group, following Wednesday's release of disappointing results for the financial year to March 31. The company's shares yesterday resumed their fall, losing 2.7 per cent to close at FFr127. This follows Wednesday'a 12.4 per cent fall to FFr130.5. EIFB, the brokerage arm of the CIC banking group, lowered its profit forecast for the company to FFr127m ($21.3m) from FFr182m, for this year and from FFr216m in 1998-99 to FFr195m. On Wednesday, Rémy Cointreau reported a decline of 70 per cent in its annual net profit from FFr120m to FFr36m.

Analysts predicted the company would continue to suffer from its gamble on the foreign exchange market. Rémy Cointreau, which expected the dollar to remain stable – or fall – against the franc, has set up foreign exchange positions that limit its revenues for three years, when the dollar rises. "The dollar remains a nightmare for the group," EIFB said. "Every time the dollar rises above FFr5.4, a financial loss will be recorded." *Samer Iskandar, Paris*

■ GERMAN INSURANCE

Allianz to retain Ergo stake

Allianz, Germany's biggest insurance group, yesterday indicated it was in no hurry to sell its stake in Ergo, the direct insurance group created this month by the merger of Hamburg-Mannheimer and Victoria Insurance. "There is no reason to sell since we have the feeling that this is going to be a very good financial investment," Allianz said.

Allianz was left with about a 10 per cent stake in the new group following the merger, through its 20 per cent stake in Hamburg-Mannheimer, a subsidiary of Munich Re. Mr Henning Schulte-Noelle, Allianz chief executive, was yesterday reported as saying that Allianz did "not fully rule out" pulling out of the venture in the long term. The move to create the new merged group reflects the broader consolidation in Europe's financial services sector and could present a challenge to Allianz. The new company is expected to have annual sales of about DM21bn ($11.9) and about 8 per cent of Germany's insurance market – about half the market share of Allianz. *Graham Bowley, Frankfurt*

■ SWISS PTT

Life deal with Winterthur

Switzerland's barely profitable postal service will attempt to inject some fizz into flagging sales by marketing life assurance to the country's scattered population. Under an agreement to be announced today with Winterthur, the Zurich-based insurance group, it will begin selling simple life products from next year. The postal service, which employs 40,000, is owned by the giant state-owned conglomerate Swiss PTT, whose operations range from running yellow Postbuses through remote mountain areas to high-speed data transmission services. Shares in Winterthur have risen nearly 12 per cent this month amid renewed speculation that it could strengthen links with Credit Suisse, the banking group. They edged up another SFr18 to SFr1,438 yesterday, but the company played down suggestions of a big deal. *Christopher Adams, Insurance Correspondent*

■ TOURISM

Sonae to buy Torralta

Mr Belmiro de Azevedo, the Portuguese entrepreneur, has made tourism a strategic sector of his distribution-led group by buying Torralta, the state-controlled leisure company which runs the country's biggest holiday development. Imparsa, which was spun off from Mr de Azevedo'a Sonae group in January, has reached an agreement with the government to acquire Torralta, which has been in receivership for two years. The deal involves paying off the leisure group'a Es4.9bn ($27.5m) debt to the state.

Torralta, whose main development is a holiday complex on the Troia peninsula, 45km south of Lisbon, once accounted for 8 per cent of Portugal's total tourism revenue. Troia is the country's biggest tourism development in terms of beds. Analysts said yesterday Imparsa was expected to invest at least Es28bn in Troia – Es10bn to recuperate existing real estate and Es18bn in new projects. Its plans are understood to focus on tourism for middle-income families and the elderly, leisure activities including a yachting marina, and gambling.

Mr de Azevedo owns 52.1 per cent of Imparsa, created in e demerger to bandle the industrial holdings of his group, as well as other diverse interests, including newspapers, hotels and information technology. The division enables Sonae Investimentos, of which Mr de Azevedo also holds 52.1 per cent, to concentrate on the group's hypermarket and supermarket chains, which account for about 40 per cent of the Portuguese market. *Peter Wise, Lisbon*

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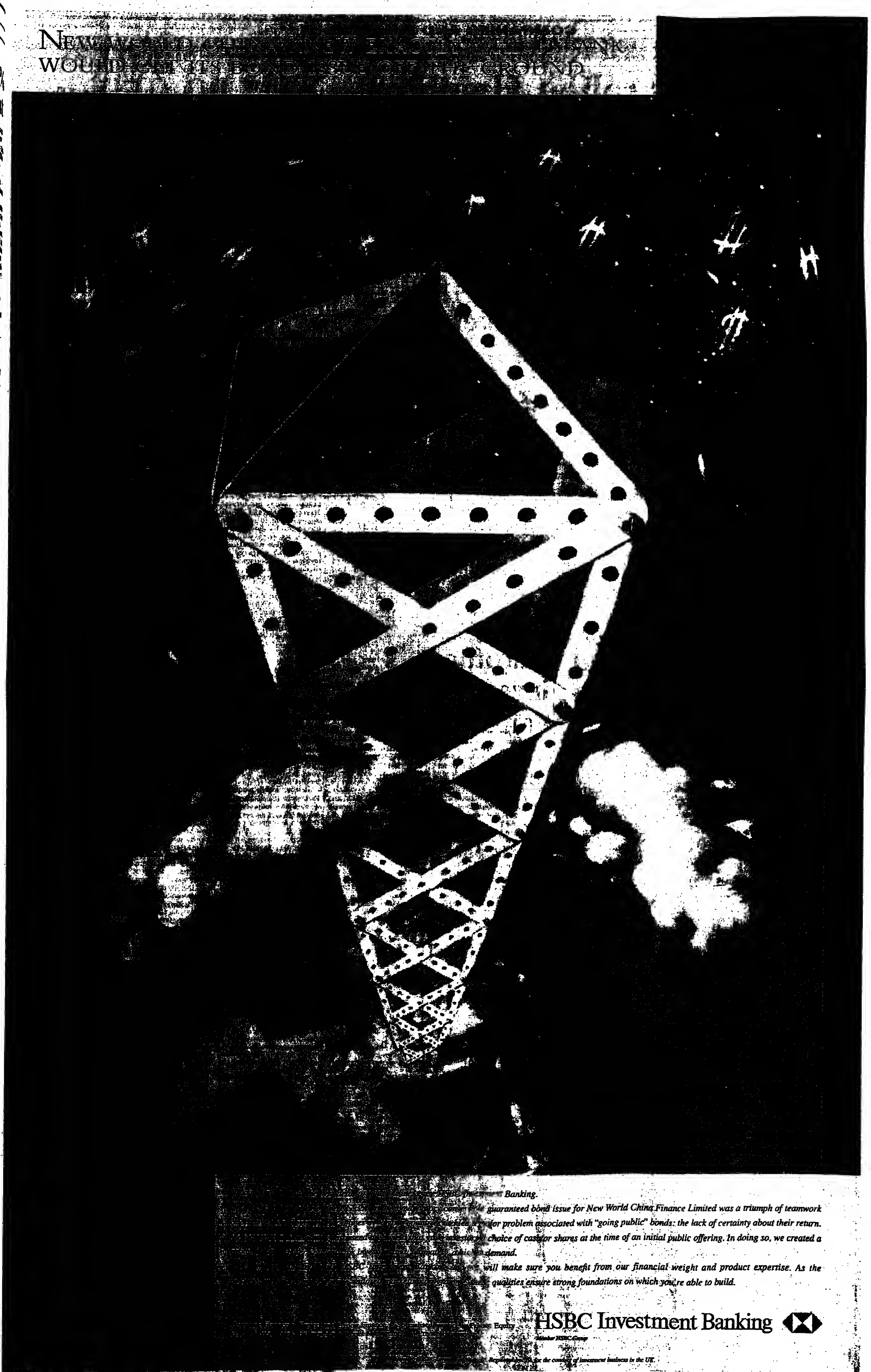


Directors resign as inquiry into failed CWS takeover attempt is published

Senior heads roll at Hambros

By John Gapper and Clay Harris

The failure of the attempt by the businessman Mr Andrew Regan to buy the Co-operative Wholesale Society claimed its most senior victims to date yesterday when three directors of Hambros, the merchant bank, resigned.

The resignations of Mr Nigel Pantling, the head of corporate finance at Hambros, and Mr Peter Large and Mr Andrew Salmon, former advisers to Mr Regan'e Galileo Group, came as Hambros published the conclusions of an inquiry into its conduct.

The inquiry hy tbe law firm Norton Rose has been given to the Bank of England, which is conducting an inquiry into Hambros' conduct. The individuals involved could also face discipline by the Securities and Futures Authority.

The affair, which has already led Sir Chips Keswick, tbe chairman of Hambros, to apologise to CWS, is one of the most serious blows to a merchant bank's reputation since the Blue Arrow affair involving County NatWest in 1987.

Hambros said it showed a "failure of implementation" of its internal controls, whicb led to the bank distributing copies of confidential CWS documents to more than a dozen other City firms as part of Galileo's bid attempt earlier this year.

It said the conduct of individuals involved in taking and sending out information "fell well short of the standards of good business practice", but the Norton Rose inquiry had not found "any diehonest intent" among Hambros staff.

The bank said "a number of members of etaff" had been disciplined and it was tigbtening its controls in some areas. The inquiry is thought to have found that internal compliance officers found it hard to get information from staff.

Mr Regan, who faces criminal charges relating to the alleged theft of CWS docnments along with Mr David Lyons, a fellow director of Galileo, and Mr Allan Green, a former CWS executive, said that the "true story" was starting to emerge.

Mr Regan said he still "awaited an apology from those wbo took Galileo'a money so readily" and it was "clear the advice Galileo paid so many millions of pounds for, and followed every incb of the way, was inept".

Hambros said Mr Pantling, 46, who joined the bank in 1995, would be paid three months' notice along with the other two directors. It said he would be succeeded by Mr William Naharro, the head of corporate finance in Leeds.

Earlier this week, Mr Nigel Campion-Smith resigned as a partner of Travers Smith Braithwaite, the law firm which had acted for Galileo in the affair.

Hambros and Travers Smith Braithwaite may still face legal action from the liquidator of Galileo, their former client. Ernst & Young said it was proceeding with its intention to "seek some recompense" from the advisers.

Goode Durrant avoids market hazards

By Charis Gresser

Goode Durrant, tbe specialist vehicle and equipment bire company, shrugged off a difficult market with a 20 per cent jump in annual pre-tax profits from £21.3m to £25.5m ($43.1m) on turnover up from £104.9m to £139m.

Tbe shares rose 11p to close at 436p yesterday as Mr Michael Waring, chairman, said that pricing pressures had started to ease.

Operating margins for the year were squeezed, however, slipping from 24.3 per cent to 22.4 per cent, as manufacturers put up prices and Goode Durrant'a rivals pusbed down rental rates.

Mr Waring said: "We had considerable succese in arresting tbe fall in hire rates and indeed, since the start of tbe year we have had some success in moving rates upwards." Analysts said that the recent consolidation in the market, with GE of America acquiring botb TLS and Smith Self-Drive would also improve the market outlook.

Mr Waring added that price rises from car mannfacturers had eased.

Capital expenditure on the company's hire fleet was £118.1m (£78.6m). Depreciation and amortisation was £48.2m. Mr Waring said it was unlikely the fleet would continue to expand at last year's rate – 42 per cent to 16,000 vehicles – and expected future growtb rates nearer 20 per cent.

Tbe fleet continued to enjoy a 91 per cent utilisation rate, as it had for the past five years.

Mr Waring said that with just 8 per cent of the light commercial vehicle hire market, there was plenty of room for Goode Durrant to grow, and he expected most of this to be achieved organically.

The UK has only 8 per cent of the total light commercial vehicle market on hire, unlike the US, where the figure is closer to 40 per cent. Goode Durrant is stepping up its marketing to convince UK companies to move towards the US model.

The 6.8p final dividend makes a total of 10p (8.6p). Earnings per share rose to 31.8p (26.4p).

Tax credits go out with a whimper

Tony Jackson notes a subdued market reaction to the dividend policy change

It is now just over a week since the Labour government abolished tax credits on dividends. Investors and corporations are still scratching their heads over the implications. Some of them are less obvious than they look.

Take, to begin with, the level of the UK market. What effect should the change have on the FTSE All-Share Index?

For tax-exempt investors – mostly the pension funds – the effect was to knock 20 per cent off the value of their dividends. For the rest, it made no difference. At a rough guess, tax-exempt investors account for half the UK market. Logic therefore suggests the market should bave fallen 10 per cent, as a means of restoring the average yield to investors overall.

In fact, nothing of the sort has happened. Since tbe FT gave advance warning of the change almost a month ago, tbe All-Share index has fallen by less than 1 per cent. Since the Budget itself, it has risen.

Partly, this was because the move has been in the market's mind ever since Mr Norman Lamont's 1994 Budget took the first bite out of tax exemption. But as one senior fund manager points out, there is more to it than that.

Bear in mind, he says, that pension funds have been reducing their UK equity weightings for several years. Doubtless, they will continue to do so. But they will do so not by selling, but by reducing their buying.

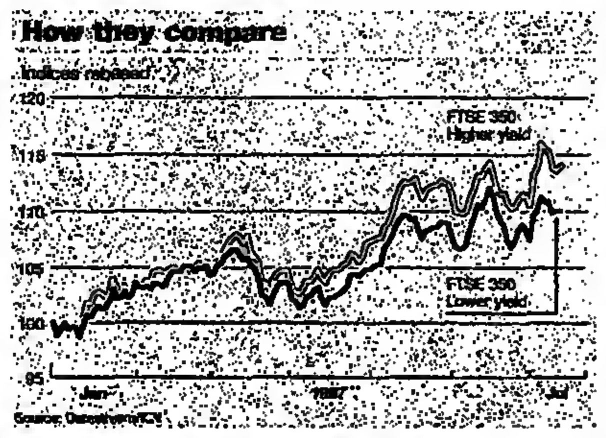
If this had the effect of weakening the market, other investors – those unaffected hy the change – would tend to push it up again. For if UK equities were worth a given amount to them before, why should they not be worth the same today?

This is particularly true of foreign investors, who have done mnch of the buying since the Budget. They had a further incentive: it was immediately apparent that the Budget was fiscally lax, and that interest rates and thus sterling were bound to rise in consequence. As today's base rate rise shows, the calculation was well-founded.

Examine the market in detail, and a further paradox emerges. As Mr Colin Lever of the consulting actuaries Bacon & Woodrow observes, high-yielding shares should have been hit harder by the change than low yielders.

This is because for pension funds, dividend income and capital gains were formerly equivalent, since they paid tax on neither. Now, low-yielding sbares – those expected to provide future capital gains – should be relatively more attractive.

Again, nothing of the sort has happened. As the chart shows, the FTSE 350 Higher Yield Index has ontperformed tbe Lower Yield index perceptibly in recent months. Since news of the Budget move broke in mid-June, the Higher Yield Index has fallen 0.6 per cent, the Lower Yield 1.8 per cent.



In part, this is probably the foreign effect once more: the attraction of high-yielding shares in an appreciating currency. But what if companies on high yields feel more pressure to compensate the pension funds by raising their dividends, thus improving their valne to other investors?

There is room for caution here. As one fund manager points out, there has been spectacular dividend growth from UK companies in the recent past. Nor is it clear that companies will want to set their dividend policies in relation to one particular class of shareholders.

At least two further responses from companies are possible. First, they may embrace the philosopby of share buy-backs, American-style, in lieu of dividends. Second, those with overseas earnings may switch to paying foreign income dividends. Although these were propoeed for abolition in April 1999 in the Budget, the government is apparently about to think again.

In one sense, all three responses are linked. All involve finding ways of handing cash to shareholders. This may pose a problem, since the new government is opposed to this in ideological terms. Mr Bob Semple, equity strategist at NatWest Markets, says: "The Labour party is saying it wants companies to invest, and doesn't like shareholders getting the loot. They would probahly find more ways of discouraging companies from paying out."

It is early days for companies to establish their policies. Meanwhile, as yesterday's interest rate rise serves to underline, the market has more pressing questions to consider.

Thus, investors need to sort out the proper relationship between equities and bonds under tha new regime. In particular, they need to consider the appropriate yield gap between equities and index-linked gilts. That gap, after all, represents the risk premium appropriate to equities.

Tbat risk is arguably higher than before, to the extent that the government has shown bostility to cash distributions. Meanwhile, the yields on other asset classes – cash, gilts and property – are moving around in response to changes in monetary policy.

In such a volatile environment, the response to the government's action cannot be precisely measured. The likelihood is that pension funds, in particular, will allocate less to UK equities over time until they feel a new balance has been struck. But as the last week suggests, this need not mean fireworks.

Smith & Nephew approach for DePuy

By Roger Taylor and Michael Peel

Smith & Nephew, the UK's leading healthcare group, is seeking large atrategic acquisitions to protect its position in the market.

Mr Chris O'Donnell, who took over as chief executive at the start of the month, has made one acquisitions approach and is predicting rapid consolidation in tbe medical devices industry.

He aaid be had approacbed Rocbe, tbe Swiss pbarmacenticals group, with an offer to buy DePuy, the US artificial limb maker but had received no response.

Roche will get 84.2 per cent of DePuy as part of its agreed $11m acquisition of Boehringer Mannheim, the diagnostics company. It has said it is unfamiliar with DePuy's business and will have to take a close look at the company before deciding what to do with it.

Mr O'Donnell said he had made clear his interest in bnying DePny bnt added that be was also interested in acquiring other leading US ortbopaedic businesses such as Zimmer, the market leader, owned by Bristol Myers Squibb or the quoted groups Stryker and Biomet.

Mr O'Donnell suggested that US pharmacentical groups sncb as Bristol Myers Squibb and Pfizer might decide to sell their healthcare divisions following the example of Eli Lilly, the US pbarmaceuticals group, which demerged its medical tecbnology arm Guidant, in 1994.

Analysts agreed that consolidation in the medical devices sector was likely following increased centralisation of buying power among US health providers, which had put pressure on prices.

Ms Amy McDonald, analyst with investment bank Lehman Brothers, said most US hospitals had cnt the number of snppliers from abont 6,000 to 1,000. Companies not among the top three suppliers for any product would struggle to survive.

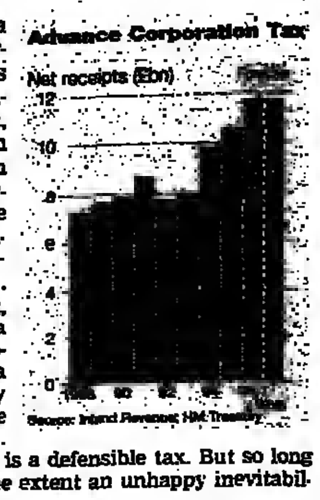
Smith & Nephew, which has a range of prodnct areas inclnding wound dressings, castings and endoscopy is number four in the orthopaedics market with a 10 per cent share. A link with DePuy or any other leading company wonld make it market leader.

Analysts said it would be threatened if DePny went to a competitor bnt questioned wbether it had the resources to buy the company capitalised at $2.4bn.

Smitb & Nepbew shares have fallen from 216p to 165p over the pest 10 months, hit by stronger sterling, and are on a lower rating than similar US groups. Mr O'Donnell said he hoped to move towards correcting this by providing a US listing through an ADR facility in the next 18 months.

LEX COMMENT

Fids



The UK government is in a frightful muddle over foreign income dividends (Fids). Having boldly abolished them in the Budget, an ignominious climbdown from the supposedly iron chancellor now looks inevitable. Even worse, be appears not to be contemplating a proper solution – just a sticking-plaster. What, he should be asking, are Fids for? They were a partial answer to the problem of "surplus ACT" – a noxious and arbitrary by-product of the advance corporation tax system. No-one seriously thinks it is a defensible tax. But so long as ACT exists, it is to some extent an unhappy inevitability.

Therein, however, lies the obvious solution to the chancellor's problem. Having abolished the main benefit of ACT – pension funds' tax credits – the right course now is to abolish the tax altogether. Companies would pay corporation tax instead. tbe problem of surplus ACT would disappear, Fids would not be needed and individual shareholders could be left untouched. Meanwhile, the resulting one-off blip in the government's revenues could easily be dealt with by, say, moving to a US-style quarterly system of corporation tax collection.

The only snag is that the government would lose all that surplus ACT. Hence the attraction of compromise fall-backs like a more restrictive Fids system. But their only appeal is that they continue to raise an unjustifiable tax. The chancellor has a golden opportunity to move to a simpler, fairer system and he sbould not fluff it.

L-tip criticism at Yorkshire Water AGM

By Chris Tighe in Harrogate

Yorkshire Water's proposal to introduce a generous incentive plan for top executive directors was overwhelmingly carried by proxy votes at yesterday's annual meeting despite vocal shareholder opposition.

The plan, which links rewards to total shareholder return, in the form of share price growth and dividends, would award executive directors up to 40 per cent of their salary annually in bonuses in the form of shares.

The plan was approved by 184.8m votes against 4.77m. The Harrogate AGM, attended by 195 shareholders, voted on a show of hands in eupport of four bonus scheme modifications, but the weigbt of proxy votes defeated them.

Some shareholders queried whether proxy votes could be cast on amendments not proposed prior to the AGM but Mr Brandon Gough, chairman, said proxy votees gave discretion to the chairman to vote on any matters which came before the meeting. Afterwards, as eome shareholders filed ont complaining that the meeting had been a waste of time. Waterwatch campaigners said the outcome highlighted the wider problem of lack of shareholder democracy.

They said they would pursue the issue with the Department of Trade and Industry.

The L-tip – or long-term incentive plan – described by one shareholder as a "nice little earner" applies to three executive directors, Mr Kevin Bond, group chief executive, Mr Jonson Cox, managing director of Yorkshire Water Services and Mr Brian Wilson, group finance director. In the 12 months to March 31 their salaries amounted to £144,000, £110,000 and £125,000 respectively, and total emoluments, excluding pension contributions, were £176,000, £180,000 and £164,000 respectively.

Pirc, the corporate governance consultancy, and Waterwatch had both opposed the scbeme, arguing a performance yardstick should include aspects like customer service. Waterwatch argued that 96 per cent of Yorkshire Weter's profits came from its regulated water business where profits were virtually guaranteed.

The proposed amendments were that environmental and customer service criteria be included in the performance targets; that tbe scheme operates over five not three years; that performance be measured against all 10 regional water and sewerage companies; and the plans come into effect in April 1998, not April 1997.

Gartmore in custody move

By George Graham, Banking Correspondent

Gartmore, tbe fnnd management subsidiary of National Westminster Bank, is to hand over the custodianship of £25bn ($42.3bn) of assets to Bank of New York in one of the largest custody outsourcings in the UK.

Gartmore had handled UK custody of the funds it managed in-house, while subcontracting overseas custody to a number of sub-custodians, including Bank of New York.

After its takeover by NatWest, it faced the task of merging its custody arrangements with those of NatWest Investment Management, which used Lloyds Bank to handle its custody needs.

"We were running two separate systems and we needed to bring them together. The cost of doing that ourselves would have been too great," Gartmore said.

Custody has become an increasingly specialised business, requiring ever-expanding investment in computer systems in order to keep up with fund managers' demands for real-time information on the securities in their portfolios, as well as for added-value services, such as stock lending which can add a few crucial basis points to their investment performance.

While some banks have baulked at the growing costs and pulled out of global custody, others, including Bank of New York and State Street, have made it the core of their business.

"This outsourcing arrangement will allow us to focus on our core investment management strengths, while ensuring that our clients receive efficient, value-added custody services," said Mr Andrew Brown, joint chief executive of Gartmore.

Tbe deal covers almost half of the £56bn under Gartmore's management.

Scapa buys Sellotape arm

By Virginia Marsh

Scapa, the acquisitive industrial materials maker, is to lift its share of the European technical tapes market from 8 to 14 per cent through the purchase of Sellotape International's industrial tapes division.

Mr David Dunn, chief executive, said yesterday the acquisition, for up to £43.7m, ($73.85m) would be earnings enhancing from the start and would bring Scapa valuable new tape technologies.

Scapa, traditionally a manufacturer of papermaking products, aims to double its share of the world technical tapes market, worth £3bn a year, to at least 10 per cent over the next three years.

It is paying £41.1m in cash for the Sellotape business with up to a further £2.6m to follow, depending on interim profits.

Last year, Sellotape Industrial, which employs 560 mainly in the UK and Switzerland, made operating profits of £5.2m on sales of about £70m.

It mainly produces tapes used in the printing and graphics industry and in construction. Around 40 per cent of production comes from the UK.

Seperately, Scapa plans to sell Sellotape the operating assets of its small French consumer tapes business for about £2m.

Scapa, whicb manufactures in 16 countries, is funding the deal from debt.

Net debt will rise to about £125m, putting gearing at more than 50 per cent, np from 31.6 per cent at the year end in March.

Mr Dunn said the strength of sterling was causing the company to consider increasing its imports of rew materials and switching some production out of the UK.

The strong pound knocked £1.7m in translation terms off pre-tax profits of £66.5m on sales of £526.8m last year.

The shares rose 3p to 209½p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends: Corresponding dividend	Total for year	Total last year
Boged	Yr to Mar 31	6.25	(6.08)	0.41	(0.244)	5.19	(3.01)	0.66◆	Oct 3	0.55	0.9	0.77
Border TV	Yr to Apr 30	13.6	(12.6)	2.74	(2.3)	16.8	(14.7)	4.3	Sept 8	3.6	7	5.8
Burtonwood	Yr to Mar 31	44.7	(49.1)	3.68	(4.34♥)	11.5	(13)	5	Aug 22	4.65	6	5.55
Cadcentre	Yr to Mar 31	17.3	(14.2)	1.78♠	(1.67)	7.13†	(7.96)	1.6	Aug 26	-	1.6	-
Druck	Yr to Mar 31	54.5	(47.1)	9.69	(9.61)	9.43	(9.12*)	1.18	Oct 1	1.1*	1.73	1.6*
Fletcher King	Yr to Apr 30	4.56	(4.76)	0.273	(0.204)	2.4	(2.3)	1.25	Oct 1	1	1.75	1.5
Goode Durrant	Yr to Apr 30	139	(104.9)	25.5♥	(21.3♥)	31.8	(26.4)	6.8	Sept 15	5.8	10	8.6
Heiton §	Yr to Apr 30	140.4	(128.4)	8.61	(6.9)	12.33	(9.84)	2.25	Sept 16	2.15	3.9	3.1
Helical Bar	14 mths to Mar 31☆	100.5	(65.9)	12	(9.2)	31.8	(29.8)	4.85‡	Aug 29	4.4	8	7.3
Lowe (Robert H)	6 mths to Apr 30	17.9	(13.7)	1.66	(0.907)	1.22†	(0.88)	0.125	Nov 3	0.1	-	0.3
MetalTech Intl	6 mths to May 2	27.9	(-)	0.509	(-)	0.3	(-)	-	-	-	-	-
Peel	Yr to Mar 31	74.8	(75.2)	13.7	(12.6)	8.16	(8.45)	5.5	Oct 2	4.5	8	6.5
Phonelink	Yr to Mar 31	4.32	(4.36)	6.17L	(6.71L)	12.9L†	(17.3L)	-	-	-	-	-
Ransom (William)	Yr to Mar 31	10.6	(9.9)	1.13	(0.98)	4.83	(4.49)	1.68	Oct 1	1.529	2.528	2.298
Skillsgroup	6 mths to May 31	181.6	(179.2)	6.5	(6.5)	5.8	(5.8)	1.3	Oct 6	1.25	-	3.65
Wintrust	Yr to Mar 31	-	(-)	3.43	(3.12)	22.32	(19.99)	8.35	Oct 1	6.5	13.75	12.52

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Henderson Geared	3 mths to May 31	-	(-)	-	(-)	-	(-)	1.7	Aug 13	1.6	-	6.4
Kleinwort Charter	6 mths to May 31 ★	402.1	(328.6)	2.07	(2.94)	2.55	(3.63)	0.4⚘	Aug 22	1.75	-	5.65

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ◆Dividends refer to A shares. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. *Equivalent after adjusting for scrip issue. §Irish currency. ☆Comparatives for 12 months to January 31 1996. ‡Special of 2p also declared, payable on August 8. ★Comparatives restated. ⚘Foreign income dividend augments first interim payment of 1.5p, paid last month.

How to be priest and psychiatrist

Booz Allen's chief finds that managing professionals is not a task for a blinkered bureaucrat

The Management Interview

Brian Dickie

by Tony Jackson

The subject of how to run a management consultancy has a certain macabre fascination. Consultants make vast sums telling others how to run things. Any sign of their own fallibility, such as Arthur Andersen's failure to agree on a new boss, is bound to raise a cackle from the rest of us.

But as Brian Dickie reminds us, running a consultancy is not your average management joh. Dickie is president and chief operating officer of the New York-based firm Booz Allen. With 240 partners, Booz Allen is not quite the size of Andersen or McKinsey. It is still hig eoough for headaches.

Dickie is the only Booz partner who does not work directly with clients. Since he does not bring in revenue, he is paid less than some who do. Indeed, those partners involved in management are encouraged to return to client work. "In our culture," Dickie says, "management is one of the tasks you take on, not a reward."

Partnerships, of course, have their own peculiar culture. There is a further difference. Management consultants traditionally see themselves as practising a profession. To lead them successfully, it is necessary to he credible as a practitioner. There is no room, Dickie says, for the career manager: that is, the bureaucrat.

The best parallel he finds is a university. He is on the board of governors of the Harvard Business School and Insead. "When I listen to the deans talking about their challenges," he says, "the analogies are extraordinary." One might add stockbroking: in which, as a London broker once remarked, managing is what you do after the market closes.

But in another respect, finance is different. The great majority of stockhrokera or investment hanks began as partnerships. Few remain so today. In management consultancy, partnership is still the dominant model. Can this continue?

In Booz'a case, the question has particular force. The firm went public in the 1970s, and a generation of partners took the cash and left. It also hranched out into supposedly related profeasional services snch as headhunting and research and development. The experiment failed, and the business, suitahly chastened, reverted to partnership.

That, Dickie argues, is still the natural form, if only because the business does not need capital. But it is clear that as with other hig partnerships – Goldman Sachs comes to mind – size creates its own tensions.

"The old Booz Allen," Dickie says, "was a federation of partners with extreme professional freedom and very little institutional interpretation or help. The move of the past five years has been from an artists' colony to competing as an institution."

This involves much more formalised teamwork, and investment in technology and human resources. That in turn requires changes in partners' behaviour.

"But the argument against a shareholding structure in a profession," Dickie says, "ie that people don't want to be told what to do, and won't accept it from outsiders. And a lot of the satisfaction comes from owning the business and having a say. It's very different from being a cog in a corporate machine."

The prohlem of size, however, will not go away. Like most of the hig management consultancies, Booz is increasing its revenues by at least 20 per cent a year. In a business which lives by selling the time of its people, the headcount – including partners – has to grow in line.

"I don't know what the limits are," Dickie says. "I sometimes think we've reached the limit at the present 240 partners. There'a definitely a qualitative change at around 40, between the founders and the next generation. Then there's another change at 120 to 150, when a lot of the partners will not have worked with other partners in the firm.

"I know every partner, and know a lot about them. No partner gets elected without me being familiar with their case. But that's increasingly difficult."

Two answers suggest themselves. First, Dickie says, the firm operates through the team principle: ideally, teams consisting of about 30 partners where each will act as clones of the larger entity, hehaving rather like mini-partnerships.

Second is the possibility of a two-tier partnership, involving senior and ordinary partners. McKinsey, which has 700 partners, works on this basis. Dickie says the idea is not popular at Booz Allen. "But it seems to me an almost inevitable migration. As you become bigger, the definition of which partners are involved in governance changes."

In such an organisation, what exactly does the hoss do? "One of the key messages in leading a business," Dickie says, "is that democracy is not the same as anarchy. In a democracy, the leader is empowered to do certain things, including discipline and intervention."

But the challeoge of leading professionals, he adds, is that the only authority they accept is that of hetter ideas. "You have to command the moral equivalent of a parliamentary majority. But in any knowledge organisation today, you need to do thet anyway. Saying it's inefficient to persuade people to huy into the vision is a false economy. If you have the power of Genghis Khan, it doesn't help you."

Another vital part of the job is handling individuals: combining, as Dickie puts it, the functions of priest and psychiatrist. "If I talk to Martin Sorrell [chairman of advertising group WPP] or Antonio Borges [dean of Insead], we all spend a huge amount of time talking to our top performers – reassuring them and resolving skirmishes."

That, he says, is one of the big frustrations of the joh. "But it's also one of its most stimulating aspects, because these people are what it's all about. A lot of the people who oeed time in the clinic are also the stars."

And, he implies, they are all intellectuals in their own right. "We've takeo all our partners through the Aspen Institute – courses on philosophy, oo the values of individualism, of ecooomics versus social responsibility. This kind of intellectualisation of what we are is a key difference between a professional firm and a corporation."

That stimulus, he claims, is more important than mere money. Applied to people who can realistically hope to pull down $1m a year, this might seem a little steep. But Dickie insists on the point. "Consultants don't do this for money, and they shouldn't: A lot of people here couldn't tell you what they're paid. If they could, they'd he investment bankers."

Richard Pohle

Dickie: 'you have to command the moral equivalent of e parliamentary majority'

Relative values in the office

Diane Summers on childless employees and discrimination

Employees who do not have children can sometimes feel exploited – made to work unsocial hours at short notice or provide cover for colleagues with childcare problems.

On top of that, childless workers may feel they are subsidising henefits, such as crèches, but not getting equivalent perks.

The backlash, such as it is, is most apparent in the US, where organisations are more likely to have well-developed "work-family" schemes with a range of benefits and flexihle working.

To test the strength of the backlash and what, if anything, companies should do about it, the Conference Board, the US-based business network, questioned nearly 80 companies about their experieoces.* The companies, which covered a range of sectors, all offered work-family schemes, and so were not representative of all organisations.

Results indicated that three-quarters of the companies questioned felt concerns about a backlash had beeo exaggerated; the same proportion said it was not true that childless employees carried more of the workload.

However, it is clear there is still discootent: less than half of the respondents agreed with the statement "childless employees harbour no reseotment against employees who have childreo". And nearly half agreed that the childless felt they were subsidising benefits for other employees' family members.

Providing perks that are particularly attractive to childless people may be one way of lessening resentment. The Conference Board found, for example, that fitness centres were more likely to be used by "single employees who have more free time and energy to work out". "Concierge" services, such as on-site dry-cleaning and photo development, were also popular.

Particular problems can be caused when decisions about time off are based on judgments about need or are inconsistent, says Mary Young, a researcher on work and family issues at Boston University's school of management. "This leads to messy questions like 'Is your child's softhall game more important than my MBA class?'," she says of the survey results.

Young recommends that organisations stop talking about "work-family" and look, instead, at "work-life". "None of us will always have small children or always have a partner. Too often, work-family programmes are short-sighted because they overlook the full range of adult roles throughout life."

**The Childless Employee. Work-family roundtable, vol 6, no 4. The Conference Board, 845 Third Avenue, New York, NY 10022.*

Child friendly: childless employees can feel exploited

BUSINESSES FOR SALE

LEGAL NOTICES

CONTRACTS & TENDERS

Momentum runs out for Europe

GOVERNMENT BONDS

By Krishna Guha and Vincent Boland in London and John Labate in New York

European bonds slipped back yesterday after a week of price rises. There was little support from the US, and no firm direction or change to fundamentals.

GERMAN BUNDS opened down and settled lower in choppy trading. The benchmark September futures contract fell to 102.53, but recovered to 102.93 before falling back again and settling in London down 0.15 at 102.71.

Analysts said 10-year bunds had hit a "solid yield barrier" at 5.5 per cent.

The market showed mild signs of nerves in advance of Friday's cabinet meeting, which will examine the 1997 and 1998 budgets.

Mr Dick Woodworth, head of research at Merrill Lynch, said the government would publish a deficit forecast of 3.0 per cent for political reasons. "The question is – how credible will that figure be?" he said.

FRENCH BONDS suffered a day of volatile trading with fresh uncertainty over France's attempts to meet the criteria for European monetary union.

Prices tumbled in early trading following press reports in Paris that the budget deficit could be as high as 3.7 per cent of GDP this year and 4 per cent in 1998.

The market recovered its balance in the afternoon and the September bond futures contract settled in Paris down 28 ticks at 130.44.

Analysts said the government would try to damp expectations ahead of a government audit on July 21. "They will make expections as bearish as possible and then announce a deficit of 3.3 per cent or thereabouts," said Mr Aram Flores, senior bond strategist at Lehman Brothers in London.

ITALIAN BTPs anded their record-breaking run. BTP September futures settled in London down 0.32 at 136.24, wiping out the previous day's gains.

Tha BTP spread over benchmark 10-year bunds widened by one point to 95 basis points.

Many analysts still believe that BTPs will close towards Spanish bonos, narrowing to about 70 to 75 basis points over bunds. But others are taking stock, noting spreads have collapsed by 50 basis points in a month.

Mr Woodworth of Merrill Lynch said "in the near term it is hard to see anything in the fundamentals which is going to support this kind of performance." Merrill Lynch shifted from overweight to neutral on BTPs at the end of last week.

US TREASURIES moved sluggishly in morning trading as investors awaited figures on producer prices and retail sales. The benchmark 30-year Treasury bond fell ⅛ at 100⅝, yielding 6.571 per cent.

Among shortar-term issues, the two-year note lost $\frac{1}{32}$ at 100$\frac{1}{32}$ to yield 5.896 per cent while the 10-year Treasury bond slid $\frac{3}{32}$ to 102¾, yielding 6.254 per cent.

Adding pressure on the down side were morning releases of "second tier" indicators for early July: mortgage application rates were strong and jobless claims rose.

UK base rate increase already discounted

The Bank of England's announcement that it was raising interest rates 25 basis points had been well discounted in the past few days, but confirmation of the rise nevertheless set the tone for a busy day's trading, writes Vincent Boland.

UK gilts rose slightly for a time after the news in modest buying but prices later fell back to around their opening levels as profit-taking hit both the short and long ends of the yield curve. The September futures contract on the benchmark long gilt settled down $\frac{1}{32}$ at 114$\frac{7}{32}$ on good volume.

Analysts said the 25-point rise, which took the base lending rate to 6.75 per cent and was the third interest rate increase since May 1, was seen to be enough for now, but that the market would be looking closely at forthcoming economic indicators, for hints as to how soon another rise would be required to damp the UK's consumer spending boom. "Maybe after three in a row they might hold their fire for a while. But this is not the last rise," said Mr Nigel Richardson, head of bond research at Yamaichi International in London.

US investors warm to Uruguay global issue

INTERNATIONAL BONDS

By Edward Luce

The Republic of Uruguay contributed to yesterday's lively pace with its first ever global bond in its longest ever maturity. Analysts said that the market looked set to maintain its recent buoyancy for the foraseeble future with borrowers such as Guatemala, the Slovak Republic and Ukraine announcing debut issues in the near future.

Uruguay's $300m 30-year global went down well with US investors in the light of the recent decision by Moody's and S&P to upgrade Uruguay to investment grade status.

A syndicate banker in New York said that about 77 per cent of the paper went to US institutional investors including pension and insurance funds which are debarred from buying non-investmant grade paper. "This was really an opportunity for the big institutions to get exposure to Uruguay for the first time," said the banker.

The bond, which was priced to yield 135 basis points over Treasuries compared with 160 basis points over Treasuries for Uruguay's 10-year dollar issue in 1996, tightened by about 5 basis points in the secondary markets. Bankers said that the spraad differance between this issue and Uruguay's previous one reflected the general tightening in the international dollar market as well as Uruguay's improved credit standing.

Uruguay plans to use the proceeds to retire shorter-term dollar debt of between one-month tenor and one or two-year maturities. "This is an aggressive mova to lengthen its maturity," said one banker. ING Barings was sola bookrunner on yesterday's issue.

The World Bank returned to the eurolira market yesterday with another $1,000bn issue. An official at DMG, joint bookrunner with Cariplo, said the 10-year bond benefited from the "constructive" tone of the lira market which has benefited from Italy's recent tightening against the German benchmark bund.

The World Bank issue had a coupon of 9.3 per cent which will step down to 5.4 per cent on January 2 1999 whether Italy is in the first wave of Emu or not. "The structure is basically 'jam today' so it went down well with investors, especially Italian ones," said an official.

Elsewhere, tbe central bank of Brazil said the country would probably issue its debut sterling-denominated bond next week instead of this week as previously expected. Yesterday's 25 point rise in UK interest rates had apparently given Brazil food for thought.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Uruguay	300	7.875#	99.362R	Jul 2027	1.00R	+135(6½%-26)	ING Barings
UBS Finance(a)	200	5.875	99.852R	Dec 1999	0.15R	flat(6%-99)	UBS
Thermo Fibertek(a,s)§	150	4.50	100.00	Jul 2004	2.00	-	Lehman/Salomon Bros
Tingyi(Cayman Is)Hldg(b)§	110	1.625	100.00	Jul 2002	2.50	-	Deutsche Morgan Grenfell
Banco BMG(c)	100	9.625#	99.89R	Jul 2005	0.85R	+365(WI 3yr)	Bank Boston
Bank Austria	100	6.25	99.96R	Aug 2002	0.25R	+2(6¼%Jun02)	Generale/Kreditbank
SBS-Agro Finance(d)	50	10.25	99.446R	Jul 2000	1.50R	+420(6⅝%-00)	JP Morgan Securities
D-MARKS							
DSL Finance	1bn	5.00	99.07R	Jul 2004	0.30R	+5(6¾%Jul04)	Bayerische Vereinsbank
Bawag	300	4.75	99.97R	Aug 2002	0.25R	+35(4½Feb02)	Bayerische Landesbank
Bacob Overseas(e)‡	250	(e1)	99.875	Jul 2007	0.40	-	Deutsche Morgan Grenfell
STERLING							
MSGGT, 97G-1, Class A(f)‡	150	(f1)	100.00R	Dec 2000	0.225R	-	Salomon Brothers
FRENCH FRANCS							
Sara Lee Corp	1.5bn	5.00	99.863R	Aug 2003	0.325R	+26(i)	BNP/SocGen
ITALIAN LIRE							
World Bank	1000bn	(g,s)	99.455R	Jan 2007	0.30R	-	Cariplo/Deutsche MG
PESETAS							
European Inv'ment Bank(s)	10bn	5.75	99.528	Jan 2008	1.875	-	UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Conversion price: $12.10. Callable from Jul 00. b) Conv price: HK$2.3482. FX: 7.7427HK$/US$. Premium redemption: 132.6616%. Callable from Jul 00, subject to 130% hurdle, at accreted value. Greenshoe: $20m. c) Callable and puttable on 17/7/00 & 02 at par. d) $200m launched Tuesday was increased to $250m. e) Callable from Jul 02 at par. e1) 3-mth Libor +32½bp to Jul 02, then +162½bp. f) Money Store Global Grantor Trust. Average life: 1.34 yrs. Legal maturity: 15/6/27. f1) 1-mth Libor +10bp. g) 9.3% to 2/1/99, then 5.4%. i) Over interpolated yield. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

France warns on need for change

The division between the domestic and Euro markets for bonds denominated in French francs will have to disappear in a single currency environment, according to the French treasury. The removal of "dividing walls" will be necessary "for better efficiency in the bond markets" after the introduction of a single European currency in January 1999, according to Mr Nicolas Jachiet, a senior treasury official. He said it would be difficult, from a legal standpoint, to maintain the divide.

For a franc-denominated bond to qualify as a eurobond, at least 50 per cent of the amount must be sold outside France. But the definition of a foreign investor is likely to become increasingly blurred in a single European market. Merging the two sectors of the market, however, would require a review of existing legal restrictions on advertising financial products.

Mr Jachiet did not rule out the creation of a new category of "qualified investors", who could be approached more easily by traders and salespeople. Such a definition already exists in the US. *Samer Iskandar, Paris*

■ DERIVATIVES

Emu provision from ISDA

The International Swaps and Derivatives Association, a trade body representing participants in the unregulated over-the-counter derivatives market, this week issued its Emu Continuity Provision, designed to protect parties to a swap transaction from unusual circumstances induced by European economic and monetary union.

The provision states that events such as the introduction of the single currency will give neither party a unilateral right to walk away from the terms of a transaction governed by their initial agreement. Many OTC derivatives transactions, in particular those agreed several years ago, do not take account of Emu. *Samer Iskandar*

■ HOUSING-LINKED BOND

Warburg launches £145m offering

SBC Warburg is to issue a £145m equity-linked mortgage-backed bond next week, the first transaction of its type. The two-tranche bond, which will give investors an equity exposure to the UK residential housing market, will be backed by mortgages lent by the Bank of Scotland.

The BoS mortgages – known as share appreciation mortgages, or Sams – give residential borrowers a subsidised rate of interest in exchange for a 5 per cent share of any capital appreciation on the house. The bank's exposure is then hedged by SBC Warburg via the Sams structure and the risk is passed on to the institutional investors in the security.

The issue, which will be split between £30m fixed rate offering and a £115m of floating rates, is estimated to have an average life of 75 years. *Edward Luce*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.6928	+0.760	6.64	6.93	7.40
Austria		5.750	04/07	100.1400	-0.180	5.73	5.79	5.93
Belgium		6.250	03/07	104.3900	-0.190	5.65	5.66	6.01
Canada *		7.250	06/07	109.3400	-0.080	5.98	6.09	6.52
Denmark		7.000	06/07	106.5100	-0.120	6.13	6.20	6.39
France	BTAN	4.750	03/02	101.1617	-0.170	4.47	4.49	4.83
	OAT	5.500	04/07	100.4400	-0.320	5.44	5.55	5.65
Germany Bund		6.000	07/07	103.1200	-0.240	5.58	5.61	5.93
Ireland		8.000	08/06	110.7100	-0.120	6.41	6.39	6.72
Italy		6.750	02/07	102.3500	-0.220	6.42†	6.55	7.14
Japan	No 148	5.600	06/02	118.4743	-0.010	1.57	1.61	1.86
	No 182	3.000	09/05	104.9336	+0.110	2.29	2.30	2.56
Netherlands		5.750	02/07	101.6600	-0.380	5.52	5.48	5.79
Portugal		8.500	02/06	121.6000	-0.150	6.18	6.18	6.63
Spain		7.350	03/07	107.9100	-0.190	6.22	6.26	6.64
Sweden		8.000	08/07	110.9680	-0.470	6.48	6.51	7.00
UK Gilts		7.000	06/02	99-09	+3/32	7.17	7.13	7.05
		7.250	12/07	101-06	-2/32	7.08	7.05	7.18
		8.000	10/08	114-14	-2/32	7.11	7.08	7.25
US Treasury *		6.625	05/07	102-19	-3/32	6.27	6.28	6.68
		6.625	02/27	100-19	-5/32	6.58	6.60	6.92
ECU (French Govt)		7.000	04/06	106.5900	-0.300	5.72	5.79	6.14

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.90
Prime rate	8½	Two month	-	Three year	6.03
Broker loan rate	7¼	Three month	5.13	Five year	6.16
Fed.funds	5⅞	Six month	5.31	10-year	6.29
Fed.funds at intervention	-	One year	5.52	30-year	6.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.70	130.44	-0.28	130.70	130.24	126,340	219,203
Dec	99.36	99.12	-0.28	99.36	98.98	572	3,402
Mar	98.76	98.52	-0.26	98.78	98.76	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
126	4.72	4.72	-	-	0.06	-
127	3.72	3.78	-	0.02	0.15	-
128	2.73	2.86	-	0.07	0.28	-
129	1.78	1.99	-	0.23	0.53	-
130	0.95	1.24	-	0.68	0.86	-

Est. vol. total, Calls 20,285 Puts 19,778. Previous day's open int., Calls 95,415 Puts 131,058.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.92	102.71	-0.15	102.93	102.53	172030	292873
Dec	101.84	101.78	-0.15	101.84	101.73	292	8764

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
10250	0.48	0.79	0.61	0.94	0.27	0.57	1.33	1.66
10300	0.22	0.52	0.43	0.75	0.51	0.81	1.65	1.97
10350	0.09	0.32	0.30	0.56	0.88	1.11	2.02	2.30

Est. vol. total, Calls 9514 Puts 15147. Previous day's open int., Calls 177855 Puts 219111

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.40	136.24	-0.32	136.51	135.95	66341	111648
Dec	108.20	108.29	-0.26	108.40	108.06	727	1273

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	Dec	PUTS Sep	Dec
8000		28.29		0
8050		27.79		0
8100		27.29		0

Est. vol. total, Calls 4775 Puts 7419. Previous day's open int., Calls 81710 Puts 97302

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.65	117.56	-0.21	117.68	117.32	78,680	86,358
Dec	101.31	101.25	-0.46	101.31	100.86	2	234

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-04	114-07	-0-02	114-14	114-02	83354	162370
Dec		113-26	-0-02			0	628

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
114	0-43	1-07	1-17	1-51	0-29	0-57	1-29	1-63
110	0-15	0-41	0-55	1-23	1-07	1-27	2-03	2-35
116	0-05	0-23	0-36	1-01	1-55	2-09	2-47	3-13

Est. vol. total, Calls 3113 Puts 948. Previous day's open int., Calls 40569 Puts 30481

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.54	97.18	-0.36	97.54	97.10	675	6,042

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113-29	113-10	-0-13	113-31	113-18	329,839	452,067
Dec	113-14	113-04	-0-13	113-15	113-06	1,449	27,987
Mar	-	113-07	-	-	-	7,121	3,868

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.89			124.98	124.88	1509	n/a
Dec	124.29			124.33	124.29	240	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities UK Indices

Price Indices UK Gilts	Thu Jul 10	Day's change %	Wed Jul 9	Accrued interest	xd adj. ytd		Low coupon yield Jul 10	Jul 9	Yr. ago	Medium coupon yield Jul 10	Jul 9	Yr. ago	High coupon yield Jul 10	Jul 9	Yr. ago
1 Up to 5 years (20)	119.22	0.08	119.35	2.08	6.01	5 yrs	7.18	7.19	7.31	7.21	7.23	7.36	7.28	7.30	7.43
2 5-15 years (20)	151.77	0.00	151.77	2.00	6.71	15 yrs	7.07	7.05	8.13	7.08	7.07	8.13	7.16	7.14	8.23
3 Over 15 years (6)	182.29	-0.25	182.76	6.23	5.02	20 yrs	7.07	7.05	8.24	7.05	7.02	8.22	7.15	7.12	8.30
4 Irredeemables (5)	211.47	-0.34	212.18	2.57	7.34	Irred.†	7.14	7.12	8.33						
5 All stocks (51)	146.71	-0.03	146.85	2.80	6.28										

Index-linked							Inflation 5% Jul 10	Jul 9	Yr. ago	Inflation 10% Jul 10	Jul 9	Yr. ago
6 Up to 5 years (2)	205.12	-0.03	205.19	1.67	3.03	Up to 5 yrs	3.65	3.63	2.68	2.92	2.90	1.16
7 Over 5 years (10)	199.02	-0.14	199.54	1.44	3.42	Over 5 yrs	3.59	3.57	3.82	3.36	3.35	3.61
8 All stocks (12)	198.59	-0.13	199.06	1.45	3.36							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 10	Jul 9	Jul 8	Jul 7	Jul 4	Yr ago	High*	Low*
Govt. Secs. (UK)	96.77	96.88	97.18	97.28	97.27	92.95	97.51	93.31
Fixed interest	125.17	125.30	125.33	124.75	124.38	112.59	125.33	115.32

Gilt Edged Activity Indices

	Jul 8	Jul 6	Jul 7	Jul 4	Jul 3
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

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FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 10

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅜		6.47
ABN Amro Bank 7¼ 05	1000	102¾	103	-⅛	6.81
African Dev Bk 7⅜ 23	500	102⅝	103		7.14
Alberta Province 7⅝ 98	1000	101⅞	102⅛		6.06
Argentina 11⅜ 17	2000				
Asian Dev Bank 6¼ 05	750	98¾	98⅞		6.55
Austria 8½ 00	400	105⅛	105⅜		6.23
Baden-Wuertt L-Fin 8⅛ 00	1000	104⅛	104⅜	-⅛	6.29
Bancomext 7¼ 04	1000	94⅜	94⅝	-⅛	8.56
Bank Ned Gemeenten 7 99	1000	101⅝	101⅞		6.15
Bayer Vereinsbk 8⅛ 00	500	104⅛	104¼		6.29
Belgium 5½ 02	1000	95½	95¾		6.38
British Columbia 7¾ 02	500	105¼	105½		6.47
British Gas 0 21	1500	17	17⅛		7.56
Canada 6⅜ 05	1500	99¾	99⅞		6.52
Cheung Kong Fin 5½ 98	500	98⅝	98¾		6.68
China 6½ 04	1000	97⅝	98		7.07
Credit Foncier 9½ 99	300	105	105¼		6.12
East Japan Railway 6⅝ 04	600	99½	99¾		6.71
EIB 0 04	500	98⅝	99		6.25
Ex-Im Bank Japan 8 02	500	106⅜	106½		6.43
Export Dev Corp 8½ 98	150	103¼	103½		6.08
Exxon Capital 0 04	1800	63¾	64¼	+⅛	6.32
Fed Home Loan 7⅛ 99	1500	102⅛	102⅜		6.09
Federal Natl Mort 7.40 04	1500	105½	105⅝	+⅛	6.51
Finland 7⅜ 04	1500	106⅛	106¼		6.53
Ford Motor Credit 6½ 02	1250	99¾	99⅞		6.67
General Mills 0 13	1000	27¾	28		8.29
IN Finance 5¼ 98	650	98⅞	99		6.08
Inter-Amer Dev 6⅛ 05	1000	99	99¼	-⅛	6.53
Inter-Amer Dev 7½ 05	500	105½	105⅝		6.56
Intl Finance 5¼ 99	000	99	99⅛		5.95
Italy 0 03	2000	96⅝	96⅞		6.37
Italy 6⅞ 23	3500	96⅞	97⅛	-⅛	7.27
Japan Dev Bk 8⅜ 01	000	109⅜	109½		6.32
Korea Elec Power 6⅜ 03	1350	96⅞	97¼		7.11
Matsushita Elec 7¼ 02	1000	103½	103⅝		6.53
Mexico 9⅞ 07	1000	107½	107⅞	+⅛	8.91
Mintn Russia 9¼ 01	1000	102⅝	102¾	-⅛	8.77
Ontario 7⅜ 03	3000	104⅛	104⅜	-⅛	6.58
Ontario 7¾ 02	2000	105½	105¾		6.52
Oster Kontrollbank 8½ 01	200	106¾	107		6.35
Portugal 5¾ 03	1000	96⅞	97⅛	-⅛	6.46
Quebec Hydro 9¾ 99	150	104	104⅛		6.20
SAS 10 99	200	105¼	105⅝		6.46
SNCF 9½ 98	150	103⅜	103½		6.01
Spain 6½ 99	1500	100⅞	101		6.05
Sweden 6½ 03	2000	101⅛	101⅜	-⅛	6.36
Tennessee Valley 6 00	1000	99½	99⅝		6.26
Tennessee Valley 6⅜ 05	2000	98½	98⅝		6.56
Tokyo Elec Power 6⅛ 03	1000	99½	99¾	-⅛	6.22
United Kingdom 6¾ 01	2000	102½	102⅝		6.03
United Kingdom 7¼ 02	3000	104¾	105	-⅛	6.18
Walt Disney 6⅜ 01	1000	100	100⅛		6.47
World Bank 6⅜ 05	1500	100	100⅛		6.49
World Bank 8⅝ 99	1500	105¼	105½		5.80
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	100½	100⅝	-⅛	6.46
Baden-Wuertt L-Finance 6 99	2000	104⅛	104¼		3.63
Bayerische LB 6 05	1500	103⅛	103¼		5.53
Credit Foncier 7¼ 03	2000	109⅝	110	-⅛	5.22
Depfa Finance 6⅜ 05	1500	105½	105⅝		5.12
Deutsche Bk Fin 7½ 03	2000	111⅛	111⅜	-⅛	5.15
Deutsche Finance 5¾ 04	2500	103⅝	103¾	-⅛	5.13
EEC 6½ 00	2000	108⅜	108½	-⅛	3.92
EIB 6¼ 00	1000	105⅞	106		3.94
Finland 7½ 00	3000	108⅝	108¾	-⅛	3.86
Helaba Intl 5¾ 01	1000	105	105		4.46
KfW Intl Finance 6¼ 03	2250	108⅜	108½		5.03
LKB Baden-Wuertt 6½ 08	2250	105⅝	105¾	-⅛	5.80
Ontario 6⅛ 04	1500	105⅝	105¾		5.20
Spain 7¼ 03	4000	111½	111⅝		4.87
Volkswagen Intl Fin 7 00	1000	109⅛	109¼		5.16
World Bank 5⅞ 03	3000	105⅛	105¼	-⅛	4.81
World Bank 6⅛ 02	3000	106¾	106⅞		4.83
World Bank 7⅛ 05	3000	111¼	111¼		5.31
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	44¼	44¾		4.48
Austria 4½ 00	1000	106¼	106½	-⅛	1.99
Denmark 4¼ 99	1000	104⅞	105⅛	+⅛	1.98
EIB 3¼ 99	1000	103⅛	103¼	+⅛	1.69
EIB 6¾ 04	300	116½	116¾		4.07
Finland 7¼ 98	300	111⅛	111⅜	+⅛	2.12
Helaba Finance 3¾ 00	1000	105⅜	105⅝	+⅛	2.12
Iceland 7⅜ 00	100	115¼	115⅝	+⅛	2.39
Inter Amer Dev 4¼ 03	600	109½	110		3.02
Ontario 6¼ 03	400	116½	116¾		2.98
Quebec Hydro 5 08	100	103¾	104⅛		4.55
SNCF 7 04	450	122⅝	122⅞	-⅛	3.45
Sweden 4¼ 03	000	109½	110	-⅛	3.02
World Bank 0 21	700	32¼	32½	-⅛	4.75
World Bank 7 01	500	115⅞	116⅛	+⅛	2.40
YEN STRAIGHTS					
Belgium 5 99	75000	109¼	109½		1.13
Credit Foncier 4¾ 02	75000	112⅞	113⅛	+⅛	2.05
EIB 6⅝ 00	100000	114⅜	114⅝		1.15
Ex-Im Bank Japan 4⅜ 03	105000	113⅜	113⅝		2.06
Fed Nat Mort 2 99	100000	102⅛	102¼		1.12
Inter Amer Dev 7¼ 00	30000	116¾	117		1.23
Italy 3½ 01	300000	107¼	107⅜		1.60
Italy 5 04	200000	117⅝	117⅞	+⅛	2.38
Japan Dev Bk 5 99	100000	108⅝	108¾		1.08
Japan Dev Bk 6½ 01	120000	120⅛	120¼	+⅛	1.51
SNCF 6¾ 00	30000	114⅜	114⅝	+⅛	1.19
Spain 5¾ 02	125000	117⅞	118⅛		1.75
World Bank 5¼ 02	250000	116⅜	116⅝		1.64
OTHER STRAIGHTS					
EBRD 14¼ 98 R	250	99⅝	100⅝		14.91
World Bank 15 99 R	500	101	102	+⅛	14.08
Austria 6½ 99 R	1000	104⅞	105		3.88
PTT Nederland 6½ 05 R	1300	105⅞	106		5.65
Bell Canada 10⅝ 99 C$	150	110½	110⅞	-⅛	5.01
British Columbia 7¾ 03 C$	1250	110⅛	110⅜	-⅛	5.79
Canada Mtg & Hsg 8¼ 99 C$	1000	106⅞	107		4.78
Elec de France 9¾ 99 C$	275	109⅝	109⅞	+⅛	4.93
KfW Int Fin 10 01 C$	400	114⅞	115⅛	-⅛	5.42
Nippon Tel Tel 10¼ 99 C$	200	110⅞	111⅛	-⅛	5.05
Ontario 8 03 C$	1500	111¼	111⅜	-⅛	5.72
Ontario Hydro 9 02 C$	2000	114⅞	115⅛	-⅛	5.60
Ontario Hydro 10⅞ 99 C$	000	109⅞	110⅛	-⅛	4.73
Oster Kontrollbank 10¼ 99 C$	150	110⅛	110½	-⅛	4.92
Quebec Hydro 7 04 C$	1000	105½	105⅞		6.10
Quebec Prov 10½ 98 C$	200	107⅞	108		4.66
Council Europe 9 01 Ecu	1100	115⅝	116		4.91
Credit Foncier 6⅞ 04 Ecu	1000	113⅞	114¼		5.80
Denmark 8½ 02 Ecu	1000	114¾	115	-⅛	4.98
EC 0 00 Ecu	1100	104⅜	104⅝	-⅛	4.54
EIB 10 01 Ecu	1150	117⅛	117½	-⅛	4.63
Finland 8½ 07 Ecu	750	117¾	118⅛	-⅜	6.00
Italy 9¼ 11 Ecu	2500	127	127½	-⅜	6.25
Italy 10¾ 00 Ecu	1000	115¾	116⅛		4.56
United Kingdom 9⅛ 01 Ecu	2750	114⅝	114¾	-⅛	4.82
AIDC 10 99 A$	100	107½	108		5.81
Comm Bk Australia 13¾ 99 A$	100	115⅝	116⅛	+⅛	5.93
EIB 7¾ 99 A$	350	105¼	105¾	+¼	5.14
Nat Australia Bank 6¼ 99 A$	250	101⅛	101⅝	+¼	5.53
NSW Treasury Zero 0 20 A$	1000	20¾	21½	+⅝	6.98
R & I Bank 7¾ 03 A$	125	106½	106½	+⅜	6.47
State Bk NSW 9 02 A$	300	110⅞	111⅛	+⅜	6.46
Sth Aust Govt Fin 9 02 A$	150	110⅞	111	+¼	6.52
World Bank 9¾ 00 A$	100	104	104⅛	-⅜	6.75
Abbey Natl Treasury 8 03 £	1000	101⅜	101¾	+	7.63
British Land 5⅞ 23 £	150	107¼	107½	-	8.36
Denmark 6¾ 98 £	800	99¼	99½		7.45
Depfa Finance 7⅛ 03 £	000	97⅜	97⅝	-⅛	7.65
EIB 8 03 £	1000	102¾	102⅞		7.41
Finland 7 00 £	000	99⅛	99¼		29
Glaxo Wellcome 8¾ 05 £	500	106⅝	106⅞	-⅛	64
HSBC Holdings 11.69 02 £	365	115⅝	115⅞	+⅛	82
Italy 10½ 14 £	400	127½	127¾	-⅛	55
Japan Dev Bk 7 00 £	200	99	99¼	+⅛	34
Land Secs 9½ 07 £	200	111½	111¾	-⅛	7
Ontario 11⅛ 01 £	100	110¼	110½		[illegible]
Powergen 8⅞ 03 £	250	104½	104¾		7
Severn Trent 11½ 99 £	150	108¾	108⅞	+⅛	7
Tokyo Elec Power 11 01 £	150	110¾	110⅞	+⅛	7.
TCNZ Fin 9¼ 02 NZ$	75	108¾	109¼		7.
World Bank 9 99 NZ$	250	103⅝	103⅞	+⅜	6.9
Credit Local 0 01 FFr	6000	105⅝	105⅞	-⅛	4.5
Denmark 5½ 99 FFr	7000	103½	103⅝		3.8
Elec de France 6¾ 22 FFr	3000	129¼	129¾	-½	6.3

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -$\frac{1}{16}$ 99	1000	99.92	100.00	5.7500
Argentaria Global Fin 0 01	700	99.73	99.81	5.8164
Cades -$\frac{1}{16}$ 01	2000	99.60	99.68	5.6250
Canada -¼ 99	2000	99.80	99.86	5.5625
CCCE 0 06 Ecu	200	99.73	99.96	4.0625
Commerzbk O/S Fin -⅛ 98	750	99.83	99.90	5.6875
Credit Lyonnais $\frac{1}{16}$ 00	300	98.25	98.78	5.7500
Dresdner Finance $\frac{1}{16}$ 98 DM	1000	99.98	100.05	3.2500
Fed Nat Mort -$\frac{3}{16}$ 00	1000	99.77	99.84	5.6250
Finland -⅛ 99	1500	99.98	100.03	5.6875
Halifax BS 0 99	500	100.05	100.12	5.8125
IMI Bank Intl ¼ 99	500	100.35	100.44	6.0625
Italy $\frac{1}{16}$ 99	1000	100.30	100.36	5.9023
Italy ⅛ 98 Ecu	1000	100.13	100.24	4.3125
LKB Baden-Wuert Fin -⅛ 98	1000	99.93	100.00	5.8750
Lloyds Bank Perp S 0.10	600	90.75	91.75	5.6938
Malaysia $\frac{1}{16}$ 05	650	99.90	99.98	6.0625
Nova Scotia $\frac{3}{16}$ 99	500	99.98	100.07	6.0312
Ontario 0 99	2000	100.14	100.21	5.8125
Portugal $\frac{1}{16}$ 99 DM	2500	100.28	100.32	3.3086
Quebec Hydro 0 09	000	99.84	99.85	5.8164
Renfe 0 98	000	99.78	100.00	5.8750
Spain -$\frac{1}{16}$ 02 DM	2000	100.03	100.10	3.0938
State Bk Victoria 0.05 99	125	99.94	100.00	5.9562
Sweden -⅛ 01	2000	100.02	100.08	5.7188
United Kingdom -⅛ 01	2000	99.91	99.95	5.5312

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	87½	98½	+35.65
Fuji Intl Finance ¼ 02 Y	250000	2002	99½	100½	+30.20
Gold Kalgoorlie 7½ 00	65				
Grand Metropolitan 6½ 0(	710	4.37	149½	150½	-1.37
Hong Kong Land 4 01	410	31.05	90½	91½	-9.13
Land Secs 6¾ 02 £	84	6.72	134	137	-1.59
Lasmo 7¾ 05 £	90	6.64	98	99	
MBL Intl Fin 3 02	2000	22	106	107	-0.24
Mitsui Bank 2⅝ 03	200	2332.6	91¼	93¼	
Sainsbury 8½ 05 £	200	3.37	127	127¾	+7.13
Sandoz Capital 2 02	750				
Sappi BVI Finance 7½ 02	250	76	93¾	94⅛	
Sapporo 1⅞ 00 Y	40000	1059.4	100⅛	101¼	+15.28
Sumitomo Bank 3⅛ 04	300	3606.9	93	94	+70.15
Sun Alliance 7¼ 08 £	155	3.9	119⅜	120⅞	+26.86
Transatlantic Hldgs 5¾ 03 £	250	5.05	101⅝	102⅛	+2.13
Yamanouchi Pharm 1¼ 00 Y	30000	2555.7	120¼	121½	+3.34

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Shorts" (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	7.00	9.76	100⅛	—	101⅛	100⅛
Treas 8¾pc 1997‡‡	8.73	6.73	100⅛	—	107⅜	100⅛
Exch 15pc 1997	14.66	6.75	102⅛	-⅛	111⅛	102⅛
Exch 9¾pc 1998	9.61	6.86	101⅛xd	—	105⅛	100⅛
Treas 7¼pc 1998‡‡	7.24	7.00	100⅛	+⅛	109⅜	100¼
Treas 15½pc '98‡‡	14.15	7.16	109⅝	—	118⅜	109⅝
Exch 12pc 1998	11.31	7.15	106⅛	+⅛	111⅜	106⅛
Treas 9½pc 1999‡‡	9.20	7.20	103¼xd	+⅛	106⅜	97⅜
Treas Flg Rate 1999‡‡	-	-	100⅛	—	100⅛	99⅜
Exch 12¼pc 1999	11.35	7.19	107⅜	+⅛	113⅛	107⅜
Treas 10½pc 1999	9.94	7.09	105⅝	+⅛	110⅜	105⅝
Treas 6pc 1999‡‡	6.13	7.20	97⅞	+⅛	98¼	96⅜
Conv 10¼pc 1999	9.63	7.21	106⅜	+⅛	118⅜	106⅛
Treas 8½pc 2000 ◆	8.26	7.24	102⅞	+⅛	104⅝	102⅜
Conv 9pc 2000‡‡	8.64	7.23	104⅛	+⅛	107½	103⅜
Treas 13pc 2000	11.26	7.26	115¼xd	+⅛	120⅛	115⅛
Treas 14pc 1998-1	13.25	7.08	105⅝	—	113⅜	105⅜
Treas 8pc 2000‡‡	7.82	7.20	102⅜	+⅛	104⅜	102
Treas Flg Rate 2001	-	-	100⅛	+⅛	100⅛	99⅞
Treas 10pc 2001	9.21	7.26	108⅜	+⅛	112⅜	98⅜
Conv 9¾pc 2001 ◆	8.82	7.26	107⅛xd	+⅛	109⅜	107⅛
Conv 9¾pc 2001 ◆	8.87	7.26	108⅜	+⅛	110⅜	108½
Treas 7pc 2001‡‡	7.09	7.21	98⅜	+⅛	101⅛	98⅛
Exch 12pc 1999-2 ◆	11.22	7.16	106⅜	+⅛	108⅛	106⅛
Conv 10pc 2002 ◆	9.02	7.25	110⅞	+⅛	112⅝	109⅜
Treas 7pc 2002‡‡	7.08	7.17	98⅝	+⅛	101⅜	97⅜
Five to Fifteen Years						
Conv 9½pc 2002 ◆	8.71	7.26	109⅛	+⅛	110⅜	108⅛
Treas 9¾pc 2002	8.82	7.25	110⅜	+⅛	122¼	109½
Exch 9pc 2002 ◆	8.37	7.26	107⅝	+⅛	108¼	106⅜
Conv 9¾pc 2003 ◆	8.73	7.24	111⅜	+⅛	113⅜	110⅜
Treas 8pc 2003‡‡	7.71	7.19	103⅞	+⅛	105⅜	101⅞
Treas 13¾pc 2000-3 ◆	11.71	7.29	117⅜	+⅛	119⅜	117⅜
Treas 10pc 2003	8.81	7.24	113½	+⅛	116⅜	111⅞
Treas 11½pc 2001-4	10.15	7.29	113⅜	+⅛	121⅞	113¼
Treas 10pc 2004 ◆	8.72	7.23	114⅜	+⅛	116⅛	113
Funding 3½pc 1999-4	4.07	5.98	86⅛xd	—	87⅜	80⅜
Conv 9½pc 2004	8.41	7.18	112⅜	+⅛	114⅜	109⅜
Treas 6¾pc 2004‡‡	6.90	7.13	97⅞	—	99⅛	93⅜
Conv 9½pc 2005	8.36	7.18	113⅜	-⅛	122⅜	109⅜
Exch 10½pc 2005 ◆	8.73	7.18	120⅜	—	121⅜	117⅛
Treas 12½pc 2003-5	9.69	7.24	128⅜	+⅛	129⅜	124⅜
Treas 8½pc 2005‡‡	7.84	7.14	108⅛	-⅛	109⅜	103⅜
Conv 9½pc 2006 ◆	8.30	7.15	117⅜	-⅛	118⅜	113⅜
Treas 7½pc 2006‡‡	7.32	7.12	102⅜	-⅛	103⅜	98½
Treas 7¾pc 2006‡‡	7.46	7.15	103⅜	-⅛	107¼	97½
Treas 8pc 2002-6‡‡	7.78	7.33	102⅜	+⅛	104⅜	100⅛
Treas 11¾pc 2003-7	9.78	7.27	120⅛	+⅛	123⅛	115⅜
Treas 8½pc 2007 ‡‡	7.79	7.14	109⅛xd	-⅛	111⅛	103⅛
Treas 7¼pc 2007‡‡	7.16	7.08	101⅛	-⅛	102⅜	96⅜
Treas 13½pc 2004-8 ◆	10.16	7.20	132⅜	+⅛	134⅜	131⅛
Treas 9pc 2008 ‡‡	7.98	7.11	114⅛	-⅛	115⅜	103⅜
Treas 8pc 2009	7.47	7.16	107⅛	+⅛	107⅜	98⅜
Treas 6¼pc 2010‡‡	6.74	7.19	92⅜	-⅛	95⅜	83⅜
Conv 9pc Ln 2011 ‡‡	7.71	7.10	116⅜xd	-⅛	117⅜	106⅜
Over Fifteen Years						
Treas 9pc 2012‡‡	7.67	7.16	117⅛	-⅛	118⅜	105½
Treas 5½pc 2008-12‡‡	6.29	6.83	87⅛	-⅛	89⅛	77⅜
Treas 8pc 2013‡‡	7.36	7.06	108⅜	-⅛	109⅜	97⅜
Treas 7¾pc 2012-15‡‡	7.32	7.00	105⅜	-⅛	106⅜	95⅛
Treas 8pc 2015‡‡	7.28	7.03	109⅞	-⅛	110⅜	97⅜
Treas 8¾pc 2017‡‡	7.42	7.07	117⅞	-⅛	118⅜	103⅜
Exch 10pc 2013-17 ◆	8.16	7.12	140⅜	-⅛	147⅜	138⅛
Treas 8pc 2021‡‡	7.18	7.00	111⅜	-⅛	112⅜	97⅜
Undated						
Consols 4pc	7.34	-	54½	+⅛	55⅜	47¼
War Loan 3½pc‡‡	7.08	-	49⅛	-⅛	50⅜	42⅛
Conv 3½pc '61 Aft.	5.30	-	66	-⅛	67⅜	59⅛
Treas 3pc '66 Aft.	7.47	-	40⅛	-⅛	40⅜	35⅛
Consols 2½pc	7.11	-	35⅛	-⅛	35⅜	30⅛
Treas. 2½pc	7.24	-	34⅜	-⅛	35⅛	29½

Notes	Yield (1)	(2)	Price £	+ or -	52 week High	Low
Index-Linked (6)						
4⅝pc '98‡‡ (135.6)	-	3.08	114	—	114⅜	113⅛
2½pc '99 ◆	2.04	3.29	181¼	-⅛	182⅛	179⅛
2½pc '01 (78.3)	2.92	3.55	186½	-⅛	187⅜	180⅛
2½pc '03 (78.8)	3.12	3.54	182⅜	-⅛	184⅜	175⅜
4⅜pc '04‡‡ (135.6)	3.15	3.61	118⅜	-⅛	120⅜	114⅜
2pc '06 (69.5)	3.26	3.60	193⅜xd	-⅛	195⅜	183⅜
2½pc '09 (78.8)	3.29	3.57	174	-⅛	175⅜	164½
2½pc '11 (74.6)	3.33	3.57	180⅜	-⅛	183⅜	169⅜
2½pc '13 (89.2)	3.35	3.57	149⅜	-⅛	150⅜	139⅜
2½pc '16 (81.6)	3.36	3.56	159⅜	-⅛	161¼	148⅜
2½pc '20 (83.0)	3.42	3.59	153⅛	-⅛	154⅜	141⅜
2½pc '24‡‡ (97.7)	3.43	3.58	127⅜xd	-⅛	130⅜	117¼
4⅛pc '30‡‡ (135.1)	3.42	3.57	124⅜	-⅛	128⅜	116⅜

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1996: 153.9 and for June 1997: 157.5.

Other Fixed Interest

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Asian Dev 10⅛pc 2009	8.37	7.34	122⅜	—	123⅛	114¼
B'ham 11½pc 2012	8.61	7.80	133½	—	133½	123
Leeds 13½pc 2006	9.68	-	139½	—	139½	131½
Liverpool 3½pc Irred	8.14	-	43	—	45	37½
LCC 3pc '20 Aft	8.11	-	37	—	39	32⅜
Manchester 11½pc 2007	8.95	7.77	128½	—	128½	120¼
Met. Wtr. 3pc 'B'	3.61	6.36	83	—	83	76⅛
N'wide Anglia 3⅞pc 2021	-	3.97	148xd	—	147⅛	139
4⅛pc IL 2024	-	4.36	141⅜	—	142⅜	133½

◆ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked

هكذا من الاصل

CURRENCIES AND MONEY

D-Mark defies UK rate increase

MARKETS REPORT

By Simon Kuper and Greta Steyn

The D-Mark rose yesterday after Mr Hans Tietmeyer, Bundesbank president, said the currency's two-year fall was over, and after the UK raised base rates by less than some economists had forecast.

Mr Tietmeyer said the dollar's advance against the D-Mark was now over. "We will naturally watch the developments in markets," he said. "You can be sure that it is important for us that the D-Mark remains a strong currency, and that we enter the euro as a strong currency." He said the pound's surge against the D-Mark "strongly reflects the UK's domestic situation".

The pound, buoyed since August by high UK interest rates, fell yesterday after the Bank of England raised base rates by 25 basis points to 6.75 per cent following its two-day monetary policy committee meeting. The increase came even though the committee said it was concerned about sterling's strength. The money market is pricing in another 25 basis point rate rise by September.

The pound retreated 1.4 pfennigs to close in London at DM2.956 to the D-Mark, partly because some in the market had expected a 50 basis point rise. The dollar fell 1.1 pfennigs against the D-Mark to DM1.751, but firmed slightly against the yen to Y113.1. Strategists said the dollar had suffered from its failure this week to break through highs set in February 1994.

A Dutch rate rise, reviving faint prospects that Germany would increase rates soon, also helped the D-Mark, as did jitters over European monetary union. Germany's supplementary budget proposals for 1997 and its budget for 1998 are presented in Bonn today. There are doubts over whether the country will meet the fiscal deficit criteria for Emu, and this could help prompt a delay to the project.

The Netherlands raised its special advances rate by 10 basis points to 3.00 per cent, the same level as the German repo rate. Forex strategists warned against believing that this presaged a German rate rise, pointing out that the Netherlands possessed one of the few fast growing economies in western Europe. The guilder closed unchanged against the D-Mark at its usual rate of FL 1.126.

Emerging markets currencies remained under pressure following last week's devaluation of the Thai baht. The Philippines and Malaysia both raised their overnight bank rates.

■ The debate over sterling continues beyond the latest rate rise. To the surprise of most strategists, the pound has soared for the last six weeks. HSBC Midland admitted this week that its previous forecasts for the exchange rate look "far too pessimistic". The pound was "unlikely to end the year much below current levels." It "could go significantly higher in the meantime".

HSBC is simply more honest than most banks, which have revised their forecasts upwards without saying so. But Goldman Sachs still advises clients to sell, although not perhaps until next month.

Sterling is 18 per cent overvalued, it says, and its summer surge has been as surprising as recent English sporting triumphs. This week's cricket defeat by Australia is a bad omen for the pound, the US bank warns.

■ The South African rand recovered yesterday from five-month lows after Mr Chris Stals, the Reserve Bank governor, suggested he was in no hurry to cut interest rates. He said the central bank would not take the lead to reduce rates unless there was a slowdown in the rate of increase in the money supply and in bank credit extension.

He also denied market talk that the central bank wanted a weaker currency, although he confirmed that the bank had been buying foreign exchange "for some time now" to prevent the rand from appreciating more.

He had been cheered by the fact that the easing of exchange controls on individuals this month had gone virtually unnoticed. "For the first 10 days or so the amount was only R25m rand," he said.

The rand rose 1.5 cents to R4.5515 against the dollar yesterday.

Sterling
Against the D-Mark (DM per £)
3.00, 2.95, 2.90, 2.85, 2.80, 2.75
May 1997 Jul
Source: Datastream/ICV

■ Pound in New York

Jul 10	—Latest—	— Prev. close —
£ spot	1.6865	1.6870
1 mth	1.6849	1.6853
3 mth	1.6814	1.6814
1 yr	1.6640	1.6640

■ OTHER CURRENCIES

Jul 10	£	$
Czech Rp	55.7818 - 55.8338	33.0320 - 33.0730
Hungary	318.206 - 318.479	188.600 - 188.650
Iran	5064.50 - 5061.60	3000.00 - 3000.00
Kuwait	0.5099 - 0.5110	0.3022 - 0.3027
Poland	5.5694 - 5.5778	3.3010 - 3.3040
Russia	9743.58 - 9752.73	5775.00 - 5777.00
U.A.E.	6.1946 - 6.2016	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.7949	-0.1012	846 - 052	20.9413	20.7552	20.7405	3.1	20.6278	3.2	20.1223	3.2	102.2
Belgium	(BFr)	61.0188	-0.2879	923 - 453	61.4460	60.9040	60.8388	3.5	60.4688	3.6	58.7188	3.8	101.7
Denmark	(DKr)	11.2591	-0.0552	528 - 654	11.3391	11.2422	11.2276	3.4	11.1638	3.4	10.8721	3.4	104.1
Finland	(FM)	8.7679	-0.0188	610 - 947	8.8290	8.7690	8.7626	3.5	8.7101	3.5	8.4974	3.3	81.9
France	(FFr)	9.9904	-0.0371	857 - 950	10.0605	9.9729	9.9574	4.0	9.9004	3.8	9.6249	3.7	104.1
Germany	(DM)	2.9555	-0.0142	541 - 569	2.9774	2.9497	2.9461	3.8	2.9271	3.3	2.8402	3.8	102.7
Greece	(Dr)	465.350	-1.154	127 - 572	469.178	463.804	467.133	-4.6	469.757	-3.8	478.125	-2.7	65.1
Ireland	(I£)	1.1056	-0.0044	955 - 077	1.1105	1.1014	1.1051	0.5	1.1037	0.7	1.0928	1.2	99.5
Italy	(L)	2886.78	-11.15	461 - 885	2906.48	2880.93	2886.81	0.0	2886.78	0.0	2884.18	0.1	76.1
Luxembourg	(LFr)	61.0188	-0.2879	923 - 453	61.4480	60.9040	60.8388	3.5	60.4688	3.8	58.7188	3.8	101.7
Netherlands	(Fl)	3.3274	-0.0159	260 - 288	3.3520	3.3214	3.3172	3.7	3.2969	3.7	3.2009	3.8	101.1
Norway	(NKr)	12.3751	+0.0078	672 - 829	12.4471	12.3311	12.3426	3.2	12.2818	3.0	12.0126	2.9	96.7
Portugal	(Es)	298.419	-1.28	246 - 592	301.122	297.922	298.263	0.6	297.739	0.9	293.645	1.6	92.6
Spain	(Pta)	249.645	-1.208	503 - 786	251.440	249.280	249.33	1.5	248.58	1.7	244.21	2.2	76.8
Sweden	(SKr)	13.0150	-0.0037	048 - 251	13.0599	12.9515	12.9875	2.5	12.929	2.6	12.6725	2.6	84.5
Switzerland	(SFr)	2.4475	-0.0197	461 - 489	2.4670	2.4434	2.4365	5.4	2.414	5.5	2.3137	5.5	105.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.6
Ecu	-	1.5033	-0.0043	024 - 041	1.5125	1.5004	1.5	2.6	1.4929	2.8	1.4588	3.0	-
SDR†	-	1.213474	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6875	+0.0022	869 - 880	1.6917	1.6833	-	-	-	-	-	-	-
Brazil	(R$)	1.8215	+0.0021	208 - 221	1.8270	1.8182	-	-	-	-	-	-	-
Canada	(C$)	2.3183	+0.002	172 - 194	2.3248	2.3093	2.3114	3.5	2.2978	3.5	2.2469	3.1	84.9
Mexico	(New Peso)	13.3303	+0.0249	204 - 402	13.3525	13.2794	-	-	-	-	-	-	-
USA	($)	1.6877	+0.0022	872 - 882	1.6920	1.6835	1.6861	1.1	1.6825	1.2	1.6651	1.3	102.2
Pacific/Middle East/Africa													
Australia	(A$)	2.2707	+0.0075	693 - 721	2.2803	2.2646	2.2701	0.3	2.2682	0.4	2.2582	0.6	90.3
Hong Kong	(HK$)	13.0670	+0.0167	623 - 717	13.0990	13.0340	13.066	0.1	13.0685	0.2	13.0045	0.5	-
India	(Rs)	60.3288	+0.0618	688 - 889	60.4490	60.1900	60.5221	-3.9	60.9227	-4.0	62.6024	-3.8	-
Israel	(Shk)	5.9920	-0.0096	816 - 024	6.0147	5.9818	-	-	-	-	-	-	-
Japan	(Y)	190.862	+0.822	738 - 986	191.380	189.600	189.842	6.4	187.817	6.4	178.832	6.3	134.9
Malaysia	(M$)	4.2010	-0.0193	989 - 031	4.2232	4.1982	4.2052	-1.2	4.2132	-1.2	4.2316	-0.7	-
New Zealand	(NZ$)	2.5095	+0.0056	074 - 115	2.5199	2.5052	2.5093	0.1	2.5103	-0.1	2.5176	-0.3	110.1
Philippines	(Peso)	44.6228	+0.1171	083 - 373	44.7350	44.4950	44.7826	-4.3	45.0321	-3.7	46.0891	-3.3	-
Saudi Arabia	(SR)	6.3297	+0.008	270 - 324	6.3450	6.3145	6.3262	0.7	6.3178	0.8	6.2813	0.8	-
Singapore	(S$)	2.4143	-0.007	127 - 158	2.4245	2.4087	2.4097	2.3	2.3996	2.4	2.3514	2.6	-
South Africa	(R)	7.6818	-0.0152	768 - 864	7.6994	7.6670	7.7424	-9.5	7.8602	-9.3	8.2972	-8.0	-
South Korea	(Won)	1500.37	+3.64	655 - 416	1504.53	1496.45	-	-	-	-	-	-	-
Taiwan	(T$)	47.0025	-0.0736	649 - 501	47.1222	46.9078	46.9859	0.4	46.9461	0.5	46.7484	0.5	-
Thailand	(Bt)	49.4750	+0.5364	012 - 487	49.5560	48.6680	49.8116	-8.2	50.2732	-6.5	51.3034	-3.7	-

† Rates for Jul 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.3215	-0.0761	190 - 239	12.4225	12.2870	12.2975	2.3	12.2485	2.4	12.0245	2.4	101.8
Belgium	(BFr)	36.1550	-0.218	500 - 600	36.4390	36.0600	36.08	2.5	35.9285	2.5	35.235	2.5	101.7
Denmark	(DKr)	6.6713	-0.0414	695 - 730	6.7284	6.6565	6.6598	2.1	6.6353	2.2	6.5289	2.1	103.1
Finland	(FM)	5.2070	-0.0149	045 - 095	5.2345	5.1915	5.1955	2.7	5.1719	2.7	5.078	2.5	81.4
France	(FFr)	5.9195	-0.0298	185 - 205	5.9698	5.9065	5.908	2.3	5.8841	2.4	5.7753	2.4	103.4
Germany	(DM)	1.7512	-0.0107	509 - 515	1.7665	1.7463	1.7474	2.6	1.7396	2.7	1.7048	2.7	102.1
Greece	(Dr)	275.730	-1.045	680 - 780	277.770	274.980	277.025	-5.6	279.08	-4.9	286.23	-3.8	64.8
Ireland	(I£)	1.5265	+0.008	240 - 290	1.5304	1.5175	1.5257	0.6	1.5248	0.4	1.5252	0.1	-
Italy	(L)	1710.45	-9.85	970 - 120	1723.00	1705.60	1712.22	-1.2	1715.23	-1.1	1718.65	-0.5	75.8
Luxembourg	(LFr)	36.1550	-0.218	500 - 600	36.4390	36.0600	36.08	2.5	35.9285	2.5	35.235	2.5	101.7
Netherlands	(Fl)	1.9716	-0.012	713 - 718	1.9886	1.9663	1.9673	2.6	1.9589	2.6	1.9211	2.6	101.0
Norway	(NKr)	7.3325	-0.0051	300 - 350	7.3870	7.3026	7.318	2.4	7.2896	2.3	7.1779	2.1	95.2
Portugal	(Es)	176.820	-0.99	770 - 870	178.750	176.390	176.784	0.2	176.73	0.2	175.56	0.7	93.1
Spain	(Pta)	147.920	-0.91	880 - 960	149.030	147.600	147.875	0.4	147.7	0.6	146.525	0.9	76.2
Sweden	(SKr)	7.7117	-0.0123	079 - 154	7.7419	7.6751	7.7027	1.4	7.6833	1.5	7.6093	1.3	84.5
Switzerland	(SFr)	1.4502	-0.0136	498 - 506	1.4635	1.4466	1.4448	4.4	1.4342	4.4	1.3887	4.2	104.7
UK	(£)	1.6877	+0.0022	872 - 882	1.6920	1.6835	1.6861	1.1	1.6825	1.2	1.6651	1.3	103.7
Ecu	-	1.1227	+0.0047	224 - 230	1.1254	1.1151	1.1241	-1.5	1.1274	-1.7	1.1429	-1.8	-
SDR†	-	0.71916	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0793	-0.0002	792 - 793	1.0798	1.0790	-	-	-	-	-	-	-
Canada	(C$)	1.3737	-0.0006	734 - 739	1.3745	1.3708	1.3705	2.6	1.3648	2.6	1.3442	2.1	84.7
Mexico	(New Peso)	7.8985	+0.0045	950 - 020	7.9030	7.8880	8.007	-16.5	8.218	-16.2	9.1285	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3454	+0.0027	450 - 459	1.3477	1.3448	1.3452	0.2	1.3446	0.2	1.3403	0.4	93.1
Hong Kong	(HK$)	7.7425	-0.0002	420 - 430	7.7435	7.7410	7.743	-0.1	7.7439	-0.1	7.7462	0.0	-
India	(Rs)	35.7450	+0.01	200 - 700	35.7770	35.7170	35.8825	-4.6	36.1675	-4.7	37.39	-4.6	-
Israel	(Shk)	3.5504	-0.0103	453 - 555	3.5668	3.5451	-	-	-	-	-	-	-
Japan	(Y)	113.090	+0.34	050 - 130	113.150	112.410	112.575	5.5	111.575	5.4	107.275	5.1	136.7
Malaysia	(M$)	2.4892	-0.0147	887 - 897	2.5038	2.4875	2.4937	-2.2	2.5027	-2.2	2.5327	-1.7	-
New Zealand	(NZ$)	1.4869	+0.0013	861 - 877	1.4893	1.4856	1.4877	-0.6	1.4901	-0.9	1.5002	-0.9	-
Philippines	(Peso)	26.4400	+0.035	800 - 000	26.5000	26.3800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	500 - 510	3.7513	3.7498	3.7512	-0.2	3.7522	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4305	-0.008	300 - 310	1.4365	1.4290	1.4288	1.5	1.425	1.6	1.4055	1.7	-
South Africa	(R)	4.5515	-0.015	500 - 530	4.5595	4.5420	4.592	-10.7	4.6715	-10.5	4.974	-9.3	-
South Korea	(Won)	889.000	+1	000 - 000	891.600	886.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.8500	-0.06	300 - 700	27.9240	27.8250	27.861	-0.5	27.97	-0.3	27.9825	-0.4	-
Thailand	(Bt)	29.3150	+0.28	800 - 500	29.3800	28.8700	29.76	-18.2	30.465	-15.7	31.895	-8.1	-

† SDR rate per $ for Jul 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 9: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3[illegible]	3[illegible]	3[illegible]	3[illegible]	6.00	2.50	-
France	3[illegible]	3[illegible]	3[illegible]	3[illegible]	3¼	3.10	-	4.75
Germany	3[illegible]	2[illegible]	3[illegible]	3⅛	3[illegible]	4.50	2.50	3.00
Ireland	8	6[illegible]	6[illegible]	6[illegible]	6¼	-	-	6.75
Italy	7[illegible]	6[illegible]	6[illegible]	6¾	6[illegible]	7.75	6.25	6.82
Netherlands	3[illegible]	3[illegible]	3⅛	3[illegible]	3[illegible]	-	2.50	2.90
Switzerland	1⅞	1[illegible]	1⅜	1[illegible]	1[illegible]	-	1.00	-
US	5½	5[illegible]	5[illegible]	5[illegible]	5[illegible]	-	5.00	-
Japan	½	[illegible]	½	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5¾	5[illegible]	6[illegible]	-	-	-
US Dollar CDs	-	5.44	5.55	5.62	5.78	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4[illegible]	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3[illegible]	3⅜	3[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Danish Krone	3[illegible] - 3[illegible]	3[illegible] - 3½	3[illegible] - 3[illegible]	3[illegible] - 3½	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
German Mark	3[illegible] - 2⅞	3[illegible] - 2[illegible]	3[illegible] - 2[illegible]	3⅛ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Dutch Guilder	3⅛ - 3	3⅛ - 3	3[illegible] - 2[illegible]	3¼ - 3	3[illegible] - 3[illegible]	3[illegible] - 3
French Franc	3¼ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3⅛ - 3[illegible]	3[illegible] - 3⅛	3[illegible] - 3[illegible]
Portuguese Esc.	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6[illegible] - 5[illegible]	5⅞ - 5[illegible]	5[illegible] - 5⅝	3[illegible] - 3[illegible]
Spanish Peseta	5[illegible] - 5[illegible]	5¼ - 5[illegible]	5¼ - 5[illegible]	6¼ - 5[illegible]	5[illegible] - 5⅛	5[illegible] - 5⅛
Sterling	6½ - 6	6[illegible] - 6[illegible]	6⅞ - 6¾	7[illegible] - 6[illegible]	7[illegible] - 7[illegible]	7[illegible] - 7[illegible]
Swiss Franc	1⅝ - 1⅛	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]	1½ - 1⅛	1[illegible] - 1[illegible]
Canadian Dollar	3[illegible] - 3⅛	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	4⅛ - 4
US Dollar	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5⅝	5¾ - 5⅝	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Italian Lira	7[illegible] - 6[illegible]	7[illegible] - 7[illegible]	7[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6½ - 6[illegible]
Japanese Yen	[illegible] - ½	[illegible] - [illegible]	[illegible] - [illegible]	[illegible] - [illegible]	[illegible] - [illegible]	[illegible] - [illegible]
Asian $Sing	1 - ⅞	2 - 1⅞	3 - 2⅞	3¼ - 3⅛	3½ - 3⅜	3¾ - 3⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.57	96.53	-0.05	96.57	96.50	61,063	76,774
Dec	96.53	96.50	-0.05	96.53	96.47	18,529	34,299
Mar	96.49	96.45	-0.05	96.49	96.42	11,634	28,503

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.84	96.84	-0.01	96.85	96.83	36510	284393
Dec	96.78	96.75	-0.03	96.78	96.73	44485	267959
Mar	96.69	96.68	-0.00	96.69	96.65	32194	251490
Jun	96.55	96.52	-0.03	96.55	96.50	21861	182295

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul		96.89	-0.01			0	431
Aug	96.88	96.88	+0	96.88	96.88	200	290
Sep		96.88	-0.01			0	3
Oct		96.85	+0			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.39	93.31	-0.09	93.39	93.28	36041	113271
Dec	93.80	93.78	-0.10	93.80	93.68	28842	88099
Mar	94.19	94.10	-0.10	94.19	94.07	10703	50469
Jun	94.46	94.38	-0.09	94.46	94.34	9065	37562

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.53	98.58	+0.06	98.58	98.49	13821	65458
Dec	98.38	98.42	+0.07	98.44	98.35	9420	44784
Mar	98.31	98.32	+0.06	98.34	98.26	1478	16548
Jun	98.16	98.17	+0.05	98.16	98.14	561	6323

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.33	-			0	n/a
Dec		99.20	+0.01			0	n/a
Mar		99.03	+0.03			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.78	95.79	-0.01	95.81	95.77	1830	8941
Dec	95.77	95.78	-0.01	95.78	95.77	217	8305
Mar	95.78	95.78	-0.01	95.79	95.77	248	4285
Jun	95.77	95.78	-0.02	95.77	95.78	50	3027

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.18	0.58	0.96	0.12	0.10	0.11
9350	0.07	0.39	0.78	0.26	0.16	0.16
9375	0.03	0.24	0.57	0.47	0.26	0.22

Est. vol. total, Calls 3975 Puts 3993. Previous day's open int., Calls 101708 Puts 54515

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.37	4.844	1.812	4731	5.453	20.28	489.1	409.1	21.33	4.011	1.639	3.799	2.766	312.8	2.464
Denmark	(DKr)	54.19	10	8.873	2.626	0.982	2564	2.955	10.99	265.0	221.7	11.56	2.174	0.888	2.059	1.499	169.5	1.335
France	(FFr)	61.08	11.27	10	2.958	1.107	2890	3.331	12.39	298.7	249.9	13.03	2.450	1.001	2.321	1.689	191.0	1.505
Germany	(DM)	20.65	3.810	3.380	1	0.374	976.7	1.126	4.187	101.0	84.47	4.404	0.826	0.338	0.784	0.571	64.58	0.509
Ireland	(I£)	55.19	10.18	9.036	2.673	1	2611	3.010	11.16	269.9	225.8	11.77	2.214	0.904	2.097	1.527	172.6	1.360
Italy	(L)	2.114	0.390	0.348	0.102	0.038	100	0.115	0.429	10.34	8.648	0.451	0.085	0.035	0.080	0.058	6.612	0.052
Netherlands	(Fl)	18.34	3.384	3.002	0.888	0.332	867.5	1	3.718	89.68	75.03	3.911	0.736	0.301	0.697	0.507	57.36	0.452
Norway	(NKr)	49.31	9.098	8.073	2.388	0.893	2333	2.689	10	241.1	201.7	10.52	1.978	0.808	1.873	1.364	154.2	1.215
Portugal	(Es)	20.45	3.773	3.348	0.990	0.370	967.3	1.115	4.147	100	83.66	4.361	0.820	0.335	0.777	0.566	63.96	0.504
Spain	(Pta)	24.44	4.510	4.002	1.184	0.443	1156	1.333	4.957	119.5	100	5.213	0.980	0.401	0.929	0.676	76.45	0.602
Sweden	(SKr)	46.88	8.651	7.676	2.271	0.849	2218	2.557	9.506	229.3	191.8	10	1.881	0.768	1.781	1.297	146.6	1.155
Switzerland	(SFr)	24.93	4.600	4.082	1.208	0.452	1178	1.360	5.056	121.9	102.0	5.318	1	0.409	0.947	0.690	77.98	0.614
UK	(£)	61.02	11.26	9.990	2.956	1.106	2887	3.327	12.38	298.4	249.6	13.02	2.448	1	2.316	1.688	190.9	1.503
Canada	(C$)	26.32	4.856	4.309	1.275	0.477	1245	1.435	5.338	128.7	107.7	5.614	1.056	0.431	1	0.728	82.33	0.648
USA	($)	36.16	6.671	5.920	1.751	0.655	1710	1.972	7.333	176.8	147.9	7.712	1.450	0.593	1.374	1	113.1	0.891
Japan	(Y)	31.97	5.899	5.234	1.549	0.579	1512	1.743	6.484	156.4	130.8	6.619	1.282	0.524	1.215	0.884	100	0.788
Ecu	-	40.59	7.490	6.646	1.966	0.735	1920	2.214	8.232	198.5	166.1	8.658	1.628	0.665	1.542	1.123	127.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5708	0.5751	+0.0043	0.5751	0.5688	17,256	108,579
Dec	0.5775	0.5785	+0.0039	0.5785	0.5775	53	1,094
Mar	-	0.5816	+0.0034	0.5816	-	123	349

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8956	0.8950	-0.0003	0.8968	0.8928	9,125	58,219
Dec	0.9052	0.9066	-0.0003	0.9066	0.9052	34	855
Mar	-	0.9187	-	-	-	1	106

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6914	0.6968	+0.0052	0.6968	0.6884	11,052	50,207
Dec	0.7005	0.7035	+0.0046	0.7035	0.7003	97	1,121
Mar	-	0.7064	-	-	-	50	161

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6840	1.6886	+0.0066	1.6886	1.6800	7,177	64,178
Dec	-	1.6820	+0.0058	1.6830	-	8	902
Mar	-	1.6760	+0.0056	1.6770	-	1	3

UK INTEREST RATES

LONDON MONEY RATES

Jul 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5	[illegible]	[illegible]	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. [illegible] Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.98pc. [illegible] Finance House Base Rate 7¾pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.77	92.83	+0.05	92.86	92.77	35287	131711
Dec	92.54	92.59	+0.04	92.65	92.54	38810	139500
Mar	92.46	92.47	+0.02	92.54	92.42	20312	101440
Jun	92.43	92.45	+0.02	92.50	92.43	11636	85508
Sep	92.48	92.48	+0.02	92.50	92.41	4450	44616

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.15	0.10	0.14	0.07	0.26	0.42
9300	0.03	0.03	0.07	0.20	0.44	0.60
9325	0	0	0.03	0.42	0.66	0.81

Est. vol. total, Calls 2801 Puts 9204. Previous day's open int., Calls 141780 Puts 132911

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	•Scottish Widows Bank	6.50
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.25	•Singer & Friedlander	6.75
•Henry Ansbacher	6.75	Financial & Gen Bank	7.50	•Smith & Williamson Secs	6.75
Bank of Baroda	6.50	•Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	Girobank	6.75	TSB	6.75
Bank of Cyprus	6.50	•Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.50	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.50
Bank of India	6.50	•Hambros Bank	6.75	Western Trust	6.75
Bank of Scotland	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	C. Hoare & Co	6.75		
•Brown Shipley & Co Ltd	6.50	Hongkong & Shanghai	6.50	• Members of London Investment Banking Association	
Citibank NA	6.50	Investec Bank (UK) Ltd	6.75	* In administration	
Clydesdale Bank	6.75	Julian Hodge Bank	6.75		
The Co-operative Bank	6.75	•Leopold Joseph & Sons	6.75		
Coutts & Co	6.75	Lloyds Bank	6.75		
Cyprus Popular Bank	6.75	Midland Bank	6.75		
		NatWestminster	6.75		
		•Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

EMS EUROPEAN CURRENCY UNIT RATES

Jul 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.86306	-0.00157	0.15	3.22	-1
Portugal	197.398	199.373	-0.089	1.00	2.35	-7
Italy	1906.48	1927.61	+2.52	1.11	2.24	-8
Ireland	0.798709	0.737436	-0.001828	-7.67	11.96	52
Spain	163.826	166.769	-0.147	1.80	1.55	-13
Denmark	7.34555	7.52309	-0.00409	2.42	0.93	-17
Netherlands	2.16979	2.22303	-0.00196	2.45	0.90	-18
Germany	1.92573	1.97425	-0.00195	2.52	0.83	-25
Austria	13.5485	13.8907	-0.0145	2.53	0.83	-18
Belgium	39.7191	40.7578	-0.0289	2.61	0.74	-19
France	6.45863	6.67652	+0.00918	3.37	0.00	-28
NON ERM MEMBERS						
Greece	295.269	310.744	+0.421	5.24	-1.77	-
UK	0.793103	0.666713	+0.000796	-15.94	22.97	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.680	0.94	2.14	2.61	-	1.60	2.27
1.690	0.36	1.64	2.17	0.02	2.11	2.75
1.700	0.14	1.24	1.76	0.11	2.65	3.33

Previous day's vol., Calls 56 Puts 3,100. Prev. day's open int., Calls 30,619 Puts 35,405

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
0.570	0.12	0.57	0.83	0.26	0.62	0.78
0.575	0.04	0.37	0.61	0.67	0.87	1.03
0.580	0.02	0.23	0.43	1.17	1.26	1.38

Previous day's vol., Calls 1,055 Puts [illegible]. Prev. day's open int., Calls 11,168 Puts 17,209

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.29	94.29	-0.01	94.30	94.22	45,164	544,757
Dec	94.06	94.06	-0.01	94.08	94.05	32,819	407,621
Mar	94.07	94.08	-	94.09	94.00	41,121	67,295

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.90	94.89	-0.01	94.90	94.89	52	8,135
Dec	-	94.76	-	-	-	-	801

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9675	0.09	0.10	0.11	0.08	0	0.01	0.02	0.08
9700	0	0.01	0.02	0.02	0.17	0.18	0.27	[illegible]
9725	0	0	0	0	0.41	0.41	0.41	0.50

Est. vol. total, Calls 6548 Puts 3210. Previous day's open int., Calls 343441 Puts 258830

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.08	0.07	0.10	0.29	0.40	0.53
9875	0.01	0.03	0.04	0.25	0.45	0.73
9900	0	0	0	0.41	[illegible]	[illegible]

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3025 Puts 3255

COMMODITIES AND AGRICULTURE

Gold prices firm but fresh weakness seen

By Deborah Hargreaves

Gold prices bave consolidated slightly in the past couple of days following a $14-per-troy-ounce drop triggered by news last week that Australia's central bank had sold two-thirds of its reserves.

But the market remains tense with analysts predicting more weakness to come. If other central banks follow Australia's lead and sell off reserves, a downturn in the gold market could turn into a rout.

Many central banks had already been looking at how much gold they hold. Belgium, the Netherlands and Canada have sold some of their reserves, Switzerland and Portugal have said they could sell.

The US Federal Reserve Bank issued a recent technical discussion paper entitled "Can governmeot gold be put to better use?" Its conclusioo is that governments have no need to hold gold as part of their foreign exchange reserves.

Sales by European central banks have in the past been brushed off by traders as governments preparing for Emu next year. But Australia, as an important producer, was expected to support the gold price.

"These sales cannot be brushed off any longer – they reveal a profound change of heart amoog central banks over bow they view gold," said Mr Andy Smith, precious metals analyst at UBS in London. "It looks as if they are taking a more hard-headed, cold-hearted view of gold, whicb can only be bad for tbe price."

Central banks' holdings of gold vary enormously. The US holds 73 per ceot of its foreign excbange reserves as gold – 251.75m troy oz – most big European countries bold about 15 per ceot of their reserves as gold, and Japan and China less than 4 per cent.

Central Bank gold reserves

Source: IMF Financial Statistics compiled by M. Mureobeeld & Associates

M. Mureobeeld & Assocs, Canadian gold consultants, estimates that if most countries were to cut their holdings of gold to 10 per ceot, that would release 618m troy oz on to the market. That is almost the same as eigbt years' new mine supply.

The consultants' "Gold Monitor" calculates that ceotral bank sales could run at a rate of up to 550 tonnes a year for 10 years.

"This is not a central bank free-for-all, but certainly a significant yearly rate of disposal which exceeds all yearly official sales since 1950, with the exception of 1967 when the Gold Pool was breaking down," the monitor says.

Mr Smith believes the price slump in the gold market is similar to the demonetisation of silver a century ago. At one time, silver underpinned 80 per cent of the world's currencies, but silver lost virtually all of its monetary value over 10 years.

If this happens in the gold markat, tha price will plunge. Mr Smith suggests an orderly exit for central banks which want to sell. They could co-operate in a similar way to the large US cigarette companies which have offered a settlement for tobacco litigation.

"If official co-operation really is that much better than it was a century ago, can't gold auctions be organised to allow weak long central banks an exit, define damage liability and offer gold investors a reason to re-enter the market?" he asks.

Crude slides on news of German sale plan

MARKETS REPORT

By Michael Peel

Crude oil dipped yesterday on news that the German government planned to sell some of its strategic reserves.

Brent crude for August delivery finished down 26 cents at $17.95 after short covering allowed it to recover from a low of $17.85.

The initial slump came after German government sources said Bonn expected to raise DM400m ($227m) in the next 18 months on reserve sales.

Industry sources suggested this would release at least 75,000 barrels a day to the market for the rest of the year.

"This has been rumoured for some time in the German press, so it's oot terribly new," said one analyst. "But it's still the occasion for a little bit of selling."

Refining margins have been squeezed in the early part of this year as prodoct stocks have risen and coosumer demand has been low. "Refiners have backed off as the market is fairly well supplied," said another analyst. "It will take a few weeks to get back to anything like normal refining margins."

Nickel stocks rose as shipments arrived in Europe from Russia. The metal finished down $25 at $6,760 a tonne.

Copper stocks rose by 2,000 tonnes through shipments from Comex to London Metal Exchange Warebouses, but the metal held firm to finish up $10.50 at $2,398.5 a tonne.

Russia yesterday resumed its exports of palladium to Japan, forcing the price down $6.50 to $162.50 a troy ounce. Russia had been out of the palladium market since last December.

Coffee suffered heavy late losses on Liffe after late fund selling in New York. The Septemher cootract peaked at $1,850 a tonne but ended the day at $1,771, down $54.

The US market was hit by mild weather in the Brazilian coffee belt and a restatemeot by the US Department of Agriculture that it expected a 28m bag 1997-98 Brazilian coffea harvest. Earlier this week the US agricultural attaché had suggested the harvest would be 24m bags.

Standstill threatened at Portuguese mine

By Peter Wise in Lisbon

Productioo at the biggest copper mine in the European Union, Neves Corvo in southern Portugal, will be brought to a standstill if miners continue a strike into next week, Somincor, the mining company, warned yesterday.

Talks between unions and Somincor, 49 per cent owned by Rio Tinto, the London-based mining company, failed to make headway in resolving the dispute over the introduction of Sunday working. State-controlled Empresa de Desenvolvimento Mineiro holds the remaining 51 per cent.

Production has already been severely affected by the strike, which enters its fifth day today, and will be halted altogether if the protest contintues, Somincor said. About 500 of the 1,000 workers at tha mine have joined the strike, unions said.

Strikers have been picketing the mine, hampering ore shipmeots and delivery of supplies, and about 300 miners travelled to Lisbon yesterday to protest outsida Somincor's head office and the economy ministry.

The company says the mine needs to work seven days a week to keep production costs competitive as the quality of ore diminishes.

Last year, Somincor mined 1.92m tonnes of ore to produce 107,200 tonnes of copper concentrate, an intermediate product, and 8,200 tonnes of tin concentrate. This compares with 160,000 tonnes of copper concentrate from 1.5m tonnes of ore in 1990. The target for 1997 is 115,000 tonnes of copper concentrate from 2.1m tonnes of ore.

Somincor says Sunday working is normal practice for similar mines and will create 100 more jobs. Workers have been offered one Sunday off in four. Bnt unions want the company to increase the number of daily ahifts from two to three. They are also protesting about conditions in the mine.

In March, Somincor revised its 1997 profit forecast upwards from a loss of Es2bn ($11.2m) to a net profit of Es800m, largely as a result of a rise in copper prices. Net profit fell from Es9.3bn in 1995 to Es1.5bn last year as turnover dropped from Es41bn to Es29bn.

COMMODITIES NEWS DIGEST

EU set-aside rate held at 5%

The European Commission has proposed that the rate of set-aside, or compulsorily uncultivated arable land, should be maintained next year at 5 per cent. European Union ministers called for the 5 per cent rate to be maintained when they agreed the annual farm prices package in Luxembourg last month. But the Commission did not want to propose the rate until it had indications of the size of this year'a harvest.

Grain farmers must leave a certain proportion of land uncultivated to qualify for EU subsidies. The standard rate was fixed at 17.5 per cent after agricultural reform in 1992, but low levels of stocks have enabled it to be reduced to 5 per cent – equivalent to about 2m hectares.

The Commission said this year's EU harvest was forecast at 197m-200m tonnes – slightly down from last year's record 201m. Cereal stocks remained low, it added, because the 1996 harvest only partly rebuilt stocks after poor weather in 1994 and 1995. With consumption and exports expected to rise, the Commission was confident 95 per cent of land could be left in production without building up excessive stocks.

Brussels is expected to propose next week that the standard set-aside rate be reduced to zero in tha forthcoming shake-up of the common agricultural policy. Documents it will submit to the European Parliament forecast that harvests will rise to 214m tonnes by 2005. But Mr Franz Fischler, farm commissioner, wants to cut cereal support prices by 20 per cent, so bringing EU prices closer to world levels and allowing it to export more grain.

Neil Buckley, Brussels

■ NICKEL

KWG to complete Cuba project

Montreal-based KWG Resources has won a bidding contest to complete a three-quarters built nickel project in Cuba. KWG's proposal also includes construction of a nickel refinery in Canada. The combined cost of the mine and refinery is estimated at US$300m, with production due to start in July 1999.

The project will be a joint venture between KWG and Commercial Caribbean, a Cuban government agency. Other bidders are nnderstood to bave included Gencor, the South African mining group.

The mine is located at Cupey, 1,000km south-east of Havana, and about 85km from the existing Moa nickel mine operated by Sherritt International, the Toronto-based group whose activities in Cuba have run foul of the US Helms-Burton law.

Helms-Burton provides for sanctions against foreign investors using expropriated assets in Cuba claimed by US companies. KWG and Commercial Caribbean said they were confident that the Cupey project "will not be subject to any third party claims".

Cupey is estimated to contain 22m tonnes of proven and 85m tonnes of probable reserves. Annual output is expected to reach 30,000 tonnes of nickel and 1,400 tonnes of cobalt for 25 years.

The site of the refinery has not yet been chosen.

Bernard Simon, Toronto

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1551.5-2.5	1579-80
Previous	1540-41	1569-70
High/low		1584/1568
AM Official	1551-51.5	1576-77
Kerb close		1568-70
Open int.	263,905	
Total daily turnover	89,986	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1395-405	1425-30
Previous	1390-400	1420-25
High/low		1430/1415
AM Official	1395-400	1426-27
Kerb close		1425-35
Open int.	5,272	
Total daily turnover	1,720	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	645.5-6.5	660-1
Previous	633.5-34.5	648-49
High/low		666/652
AM Official	644-44.5	658-58.5
Kerb close		659-60
Open int.	36,067	
Total daily turnover	8,399	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6755-65	6865-75
Previous	6780-90	6895-900
High/low		6980/6840
AM Official	6770-75	6885-90
Kerb close		6850-60
Open int.	52,781	
Total daily turnover	15,143	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5465-75	5520-25
Previous	5465-75	5520-30
High/low	5461	5530/5500
AM Official	5465-66	5515-16
Kerb close		5420-25
Open int.	13,506	
Total daily turnover	3,177	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1472-3	1482-3
Previous	1451.5-52.5	1463-64
High/low		1490/1466
AM Official	1470.5-71.0	1480-81
Kerb close		1478-9
Open int.	99,060	
Total daily turnover	32,298	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2397-400	2282-3
Previous	2388.5-89.5	2271.5-72.5
High/low	2412/2410	2285/2250
AM Official	2412-13	2281-82
Kerb close		2267-8
Open int.	155,822	
Total daily turnover	107,020	

■ LME AM Official £/$ rate: 1.6871
LME Closing £/$ rate: 1.6885

Spot: 1.6883 3 mths: 1.6831 6 mths: 1.6786 9 mths: 1.6712

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	105.90	+1.85	107.16	105.05	667	6,804
Aug	104.85	+1.65	105.50	104.00	184	3,936
Sep	104.35	+1.85	104.90	102.65	10,462	24,765
Oct	102.80	+1.50	103.50	102.20	185	1,377
Nov	102.65	+1.55	103.00	102.30	87	1,228
Dec	101.90	+1.40	102.45	101.00	1,483	6,782
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	318.40-319.80		
Opening	310.50-319.80		
Morning fix	319.65	189.624	466.05
Afternoon fix	318.60	189.365	463.07
Day's High	321.10-321.50		
Day's Low	318.60-319.00		
Previous close	319.20-319.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.41	6 months	3.49
2 months	3.45	12 months	3.71
3 months	3.47		

Silver Fix	p/troy oz.	US cts equiv.
Spot	257.05	434.50
3 months	260.65	439.25
6 months	264.50	444.25
1 year	273.15	454.75

Gold Coins	$ price	£ equiv.
Krugerrand	316-318	187-189
Maple Leaf	-	-
New Sovereign	73-76	43-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	320.2	+2.0	-	-	56,892	-
Aug	320.8	+1.9	322.2	319.0	34,880	112.7k
Sep	321.4	+1.9	321.2	317.5	-	3,706
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Total						

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	77.90	-0.10	79.00	78.00	72	174
Sep	81.65	+0.65	-	-	-	227
Nov	83.65	+0.65	83.75	82.75	38	3,883
Jan	[illegible]					
Mar	[illegible]					
May	[illegible]					
Total						

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1036	+2	1026	1024	7	813
Sep	1055	-2	1061	1042	2,088	30,151
Dec	1078	+1	1082	1064	1,943	36,363
Mar	[illegible]					
May	[illegible]					
Jul	[illegible]					
Total						

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LIFFE ($ tonnes; $/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Base: 1967 = 100)

■ GSCI Spot (Base: 1970 = 100)

LME WAREHOUSE STOCKS (tonnes)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Aug	64.975	+1.225	65.100	63.525	10,365	40,388
Oct	68.425	+0.6	68.475	67.500	4,335	27,448
Dec	70.850	+0.475	70.975	70.075	1,259	14,975
Feb	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Total						

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Jul	[illegible]					
Aug	80.725	+0.075	81.175	80.350	4,680	12,952
Oct	74.350	+0.25	74.775	73.875	2,152	9,834
Dec	71.150	+0.425	71.600	70.600	542	4,544
Feb	69.900	+0.425	70.000	69.100	108	1,791
Apr	65.300	+0.275	65.300	64.700	25	1,150
Total					8,985	36,080

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Jul	81.675	+3	81.675	78.500	396	772
Aug	78.875	+2.375	80.375	78.050	1,834	4,559
Feb	72.250	+1.35	72.650	71.150	186	782
Mar	69.600	-	-	-	8	18
Jul	73.500	-	-	-	3	5
Total					2,417	6,143

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1550	32	75	26	47
1575	21	62	39	58
1600	13	51	56	72
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2250	87	100	35	106
2300	58	79	57	133
2350	38	61	85	165
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1700	154	183	83	135
1750	130	161	109	163
1800	111	143	140	195
■ COCOA LIFFE	Jul	Sep	Jul	Sep
975	93	135	13	32
1000	75	116	20	40
1025	59	103	29	50
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1750	-	-	7	40
1900	17	65	17	-
1850	1	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$16.75-6.95	+0.12
Brent Blend (dated)	$18.08-8.16	-0.14
Brent Blend (Aug)	$17.98-8.00	-0.12
W.T.I.	$19.25-9.28w	-0.05
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$193-195	
Gas Oil	$162-164	-1
Heavy Fuel Oil	$80-81	+0.5
Naphtha	$172-174	
Jet fuel	$177-178	-1.5
Diesel	$166-167	-1
■ NATURAL GAS (Pence/therm)		
Bacton (Aug)	9.20-9.40	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Aug)	9.300	+0.20
■ OTHER		
Gold (per troy oz)♣	$316.65	+0.20
Silver (per troy oz)♣	434.00c	
Platinum (per troy oz.)	[illegible]	
Palladium (per troy oz.)	[illegible]	

[illegible]

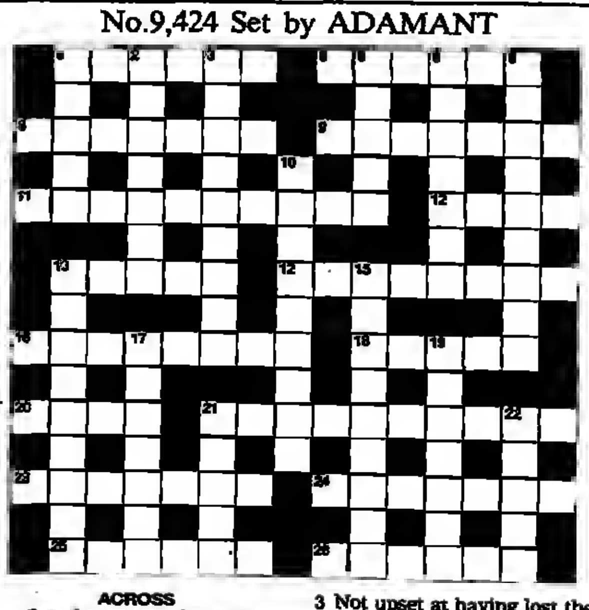
Wool

There is no auction guide to the wool market until late this month. Mallett & Company report, with mills in most of the main consuming countries either already on holiday or soon to take their annual break. This leaves the trade taking stock or attempting to predict the 1997-98 selling season. Futures trading in Sydney this week was at a low ebb, with no significant price movements. Wool International stockpile pricing and sales can provide a lead, but here too there is little to report: prices are virtually unchanged, and disposals last week were moderate. Merino prices rose strongly in recent weeks, with cross breds following more slowly and only slight rises at the coarser end. Current demand patterns and forecasts point to reasonable strength ahead, perhaps further rises in due course.

JOTTER PAD

CROSSWORD

No.9,424 Set by ADAMANT



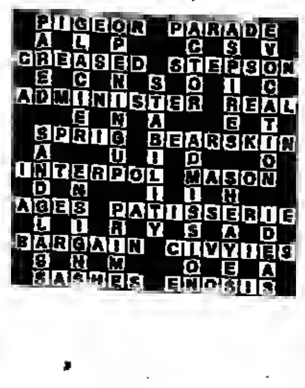
ACROSS

1 Get the money back from firm in pure mix up (6)
4 Draw back – having got wind up again? (6)
8 Report on a French conflagration after midnight (7)
9 In science fiction an objective woman provided the law enforcement officer (7)
11 They show the ups and downs of the situation (6,4)
12 Knocks out gullible people (4)
13 It adds a certain flavour when detailed account comes round (5)
14 It shows the annual turnover on a day to day basis (8)
16 Dad off with the Italian to reorganise the plant (8)
18 Delivered without charge on the day (5)
20 Editor backtracks for example to get the advantage (4)
21 Chatted vaguely about men in the military unit (10)
23 Prodnct of black animal and its young (3-4)
24 The City love the honour found in New York's management of finance (7)
25 In the middle came a new conclusion on the communications industry (6)
26 Stopped on the motorway and got repairs done (6)

DOWN

1 Get up river? And another river! (5)
2 Late containers (7)
3 Not upset at baving lost the frills? (9)
5 Distinctive character of those at sea (5)
6 A Roman's unfortunate galley slave, perhaps (7)
7 Member of the main rescue force (9)
10 Reckon to pnt actually unfinished alternative into the Church of England (9)
13 Where decisions are taken to make clean sweep about new road (9)
15 Naughty Cecily fled, abandoning daughter, for a round of experience (4-5)
17 Charged too much for woollen coat on original debit (7)
19 The queen dug deep to be trimmed with fur (7)
21 Letter that led up to the part (5)
22 Newton made arrangements to be called (5)

Solution 9,423



GLOBAL CUSTODY

It is estimated that $40,000bn of assets is under custody worldwide and the total is likely to grow to $50,000bn, says William Lewis

The big get bigger as the sector grows

Global custodians, who for years have had to bear the brunt of jokes about the dullness of their jobs, are now hot property. Theirs is now a multi-trillion-dollar industry dominated by talk of takeovers, product growth and cut-throat price competition.

Custody has developed into areas far removed from the industry's roots as the safekeeper of clients' securities. Custodians still carry out settlement and safekeeping, but are focusing increasingly on offering clients a range of other value-added services. These include investment accounting, cash management and treasury services, performance measurement and securities lending.

As a result broad definitions of custody are now commonplace. Mr Simon Murray, a partner of Thomas Murray, the global custody consultancy, defines custody as "what happens after the decision to buy or sell securities is taken by the client". Others now use the term Securities Services to describe the industry.

For many of the largest banks and institutions in Europe and the US, it has become an important business, with the constant income stream an attraction as a counterbalance to volatile investment banking earnings. "As far as we are concerned global custody is a business with prospects which we want to be in," says Mr Robert Gartland, managing director and head of Morgan Stanley Services.

Industry leaders, in many cases responsible for assets worth more than $1,000bn, have begun to emerge publicly as personalities. For example, when Chase Manhattan, the biggest US bank and largest global custody operation with $3,800bn of assets undar custody, announced the resignation of Ms Vivian Banta Eversole, one of the industry's most senior figures, it made headline news.

But alongside the industry's growth has come the issue of managing costs and, in particular, the question of how to cope with clients demanding additional services for no additional fees. The industry's gross revenues are estimated at $6bn annually, but a turn of just two basis points on the volume of assets under custody is said to be common.

As institutional shareholders have increased their overseas holdings, custodians have been forced to put systems in place to deal with new markets.

Such demands hava led banks to ask themselves whether they are prepared to keep on spending tens of millions of dollars each year on the technological innovation necessary to keep up with the demands of clients.

With margins particularly low in the core custody functions of record-keeping, settlement and dividend collection, many have answered no, fuelling a consolidation process in tha global custody industry.

Indeed, the wave of marg- ers and withdrawals from the business in recent years has led leading custodians to suggest that by the end of the decade the industry will be dominated by no more than a handful of very large operators, with a small number of niche competitors in certain geographic regions.

"The number of global custodians is set to reduce to an even smaller number," says Mr Richard Farma, executive vice-president of Chase and head of global investor services. "We will be left with no more than four major custodians globally," he says.

Mr Gartland of Morgan Stanley, the seventh largest global custodian, agrees. "My own judgment is that in five years' time there are going to be fewer than half a dozen serious global custodians in business," he says.

He argues that the industry's consolidation will be driven as much by intra-custody mergers as by wider consolidation in the global financial services industry. For example, last year Chase Manhattan Bank and Chemical Bank agreed to merge, bringing together two of the largest banks in the US but also uniting two of the world's largest global custody providers.

"It will be driven as much by further exits from the business as by further consolidation at the more general financial services company level," says Mr Gartland.

The few that appear to be prepared to pay the cost to continue as global operators include Chase, Bank of New York, State Street and Citibank. This is not to say that there is no future in the industry for smaller operators. As custody moves away from being just a settlement and safekeeping business, niche businesses are likely to benefit.

"If you have a well-managed network of sub-custodians and you keep close contact with the client, your custody can work round his business strategy rather than the other way round," says Mr Gary Lloyd Reece, director of operations for Royal Trust Corporation, one of the smaller global custodians.

Analysts say that the trick is to avoid being caught in the middle ground between being a niche and global operator. "Do one or tha other but don't get caught spending millions on your systems with little chance of pulling in the necessary level of business in order to exploit the economies of scale available," saya one industry analyst.

Those that have decided to pull out include J P Morgan, National Westminster Bank and Barclays, which sold its global custody business to Morgan Stanley. Outsourcing of custody has also become more common with the Prudential Corporation having agreed to outsource the custody arrangements of its London clients.

Over the past two years Bank of New York has made a string of large custody-related acquisitions, buying the securities processing businesses of J P Morgan, BankAmerica and Wells Fargo.

However, earlier this year a new trend emerged when the Bank of New York made what was perceived in the industry as an aggressive move against a fellow global custodian. In January, the Bank of New York announced that it was seeking regulatory approval to increase its stake in State Street from 4.99 per cent to 9.99 per cent.

State Street specialises in securities processing and global custody, a similar mix of business to Bank of New York's. They are already two of the largest global custodians in the US, and while State Street is insistent that it wants to maintain its independence, analysts say that a merged company could dominate the industry.

However, the strategy of expansion by acquisition which most of the global aspirants are set on is far from risk-proof. Long-standing customers of one custodian can prove difficult to convince that they should move their business to new providers.

These problems aside, those that remain in the industry are convinced thet the growth prospects are promising. Estimates vary about the size of the industry, but Mr Jurgen Marzinіak, global head of custody services for Deutsche Bank, estimates that $40,000bn of assets is under custody worldwide, including cross-border assets of $7,000bn. That total could grow to $50,000bn by 2000, including $12,000-worth of cross-border assets.

The switch in Europe towards funded pensions, together with the continued growth of overseas investment by fund managers in the US and other developed markets, leads to forecasts of rapid growth.

"The sheer volume of international investment is going like crazy. Custody has become more important because there is more investment overseas," said Mr Robert Binney, Citibank's head of worldwide securities business in Europe.

Growth is also likely to come through providing customers with further value-added services. As cross-border securities transactions expand, securities lending and borrowing are seen by custodians as areas of potential growth.

"We are wanting to stay in the back office but also move into the front offices," says Mr Michael Grass, managing director and head of global custody for Morgan Stanley in Europe.

Nevertheless, in the run up to 2000, custodians concede that they are as likely to find their focus switched to more mundane matters.

Regulatory concerns, heightened by the Maxwell pension scandal in the UK, have resulted in new rules for custodians in the UK, while compliance with European and economic monetary union looms as a principal issue for all firms. Making sure that systems are changed adequately will become another expense for custodians to mull over as the industry continues to consolidate.

EUROPEAN MONETARY UNION • by Michael Prest

Consolidation accelerator

Emu is likely to increase investment between EU members

Like others in the financial industry, custodians are ambivalent about European economic and monatary union. On the one hand, many believe a single currency will open up buge new business opportunities. On the other hand, taking advantage of the opportunities will he difficult, and quite a few custodians will probably fall by the wayside.

Emu's main strategic consequence for global custodians will be to accelerate powerful market trends. One is the growth of assets under management. Equity investment is growing more popular ln many continental European countries and is likely to become more widespread as tbe switch to funded and private pensions gathers pace.

Removing the foraign excbange risk from cross-horder investment in Europe, turning Europe into much more of a credit risk market, and knitting the European Union economy more closely together should increase the amount of investment between EU members, especially in equities. Mr Jurgen Marziniak, global head of custody services for Deutsche Bank, estimates that a third or more of the growth in assets under custody will come from Europe.

Several developmeots follow. A pan-European move towards real time casb settlement is expected. Clients will expect their custodians to provide more value-added services, for example cash management. credit. and pan-European collateral. Mr Robert Binney, Citibank's bead of worldwide securities husiness in Europe. thinks tbat remote clearing and remote membership of stock exchanges will be more commoo. Target. tbe planned link between the European Central Bank and national settlement systems. will accentuate that development.

A second, related, trend is towards consolidation within the global custody business. A higger volume of assets tends to mean higger companies to look after them. The number of banks and others offering global custody has been falling, but the further erosion of barriers between EU members is expected to accelerate the process.

Some experts believe that five years from now there will he only a handful of European institutions in the business. Apart from a few big banks such as Deutsche Bank, Paribas, ABN/Amro, and two or three Britisb banks, the survivors could include the national clearing houses sucb as Deutsche Kassenverein in Germany, Sicovan in France, and Crest in the UK and perbaps the interoational securities clearing organisations such as Cedel and Euroclear.

This is far from saying, however, that Europeans will dominate the business. Tbe world's biggest economy, with potentially the world's higgest securities market, will attract non-European competitors. "US custodians will attack this market," warns Mr Marziniak of Deutsche Bank.

Mr Jeffrey Smith, a managing director at Chase Manhattan Bank in London, said his company is one of the biggest custodians of European equity assets. Mr Smith said: "We've saen good growth in Europe over the years. We're looking for the European fund managers, insurance companies and pension funds."

Chase employs 700 people at its global processing centre in Bournemouth, England. Similarly, Citibank is concentrating lts European time-zone glohal custody operations in Duhlin. Mr Binney said: "Our principal back office will he in Dublin."

Morgan Stanley, the US investment bank which is the only Investment bank left in the glohal custody business, is also confident of its ahility to compete in Europe.

Morgan Stanley's custody business was a natural extension of its securities operations, explains Mr Michael Grass, the bank'a head of global custody for Europe. He believes that the emnergence of a truly European securities market will place more of a premium on skills, whicb can only be delivered by a global securities house with a custody business backed by substantial technology.

The company is proud of lts information systems, the heart of any bank's custody husiness. Mr Dick Taggart, Morgan Stanley's head of global custody operations worldwide, said: "We have a very rich set of information we provide for our clients. We're in good shape for Europe from a planning point of view."

But not everyone accepts that Emu will result in European custody being dominated hy a few large organisations. Mr David Watson, director for marketing and business development at Lloyds Bank Securities Services, argues that the bank's strong base in UK equities – as demonstrated hy its role as registrar for many British privatisations – means that lt will continua to be a competitor in Europe. Mr Wataon said: "We have assets and customers in all 15 EU countries. We've got to provide services."

Indeed, European custodians may well continue to provide stiff competition on their own territory. As Emu hreaks down investment barriers between EU members, trading is expected to concentrate in the market with the most liquidity in a particular asset.

The implication is that Deutsche Bank will remain powerful in the Frankfurt market, Paribas in the Paris market, and so on. Emu may lead to there being only a handful of truly global custodians operating in Europe, but it will not aliminate local custodians.

Bafore that stage is reached, however, Emu will present custodlana with soma nasty little headaches. Mr Dick Vesey, director for business planning at Lloyds Bank Security Services, ticks off the technical issues which must be resolved for tha hank's systems to be ready for handling securities denominated in euro: the number of working daya, how to replace identification of assets hy currency, the lack of compatible time-series data for securities, details of settlement, how redenomination will be done.

His dread is having to run two parallel books. one in the old currencies and the other in euro. These annoying details do not in themselves altar the long-term nature of custody in Europe. But making aure that systems are changed adequately and in time will be expensive.

For custodians this is the price of staying in the European business. There is no guarantee, however, that the trends which Emu promises to intensify will make the price worth paying.

Jeffrey Smith (left): good growth in Europe for Chase Manhattan over the years. Dick Vesey (right): his dread is having to run two parallel books, one in the old currencies and one in the euro

VALUE-ADDED PRODUCTS • by Christine Moir

Simply doing the right thing

Competition is leading custodians to offer a wider range of products

One senior international banker in London describes the job of providing safe custody for clients' assets as "doing a number of simple things right, on time, every time".

He prefers to remain anonymous, to discourage clients from driving already shrunken fees down to basic commodity level. Nor does be want to antagonise his peers who would resent him for presenting custody as a mere commodity.

A conciliatory compromise comes from Mr Jose Placido, managing director of Global Securities Services at Royal Trust in London (Royal Trust is part of the Royal Bank of Canada and, with US$640bn of assets under custody, is rated 10th largest global custodian).

Mr Placido accepts that custody had been regarded as a boring backroom function until a couple of years ago. However, bank consolidation since then has led to the emergence of differing strategies whlcb hava re-energised the function.

It is still – just – legal for trustees simply to lock up their assets in the office safe. Global custody is a world apart. In Mr Placido's words: "You need to invest tons of money" – mainly in technology.

Many banks bave asked themselves whether it is worth it and have decided to exit the husiness. Morgan Stanley, for instance, the last US investment hank to offer global custody, was catapulted into the premier league only months ago when one of Britain's richest retail hanks, Barclays, quit custody and sold its business to Morgan Stanley.

However, sufficient competition still exists from regional custodians and even leading local houses for all custodians to need to persuade their clients that their particular approach "adds value".

Royal Trust, for instance, attempts to differentiate ltself by concentrating on client relationships. Technology comes first, of course, to guarantee the custody. But the technological activity must then be analysed. This, says Mr Placido, requires dialogue with the client. Royal believes its unique selling point (USP) is tbe detailed way in which it relates to clients.

First, it reviews the relationship every quarter. Then it provides permanent forums at which clients may evaluate the service and ask for additional products.

This approach has netted Royal Trust 45 per cent of Canada's offsbore assets. In Europe, mainly in the UK, seven clients have entrusted lt with US$110bn.

Customer-driven demands have already led it into traditional treasury functions such as forex transactions and short-term cash management, in multiple currencies where required.

Mr James Economides, managing director of global custody at Citibank, passionately denies that custody is either simple or a commodity "like the petrol with which I fill up". He is also on record as saying that Citibank does not need to add services to add value. The bank already provides all the services clients need.

Nevertheless, Citihank, too, is positioning itself so that clients can clearly differeotiate it from other global custodians.

Citibank's USP, argues Mr Economides, is its vertical integration in 100 countries. Everywhere it is committed to building a full range of services in house to a common Citibank standard. "We don't want to have to rely on the style of a small local provider in a far flung place", he says.

Instead, Citibank ties lts custody – and other administrative services – into lts hranch network, believing that clients will recognise that all services are underpinned by its trading capacity.

Only Deutsche Bank, among the large global custodians, says Mr Economides, has the same universal banking aspirations based on branches. Even Chase and State Street, two of the top five custodians, may consider outsourcing some custody operations away from core regions.

Citibank's approach also reveals itself to be different when lt comes to the services it partners to custody.

Mr Economides first singles out investment performance measurement. Managers' performance claims are naturally hest checked against the assets beld. But since tha New Year Citibank bas entered a partnership with Mr Frank Russell, the US-based global measurer. "Frank Russell has the ability to belp clients choose consultants and managers which we don't," Mr Economides explains.

Compliance monitoring is next on his list as a service set to grow in popularity. "It is not just about knowing whether the manager is buying gold when the fund is meant to he in energy stocks." Citibank lays claim to a superior technology which would let clients monitor how closely managers comply with mandates and local rules.

Among the large global custodians Mellon Trust (part of Mellon Bank) most openly describes lts strategy as adding value. Mr Dan Wywoda, head of global security services, Europe, calls it "layering". First comes custody, "the basic commodity", then accounting, then investment monitoring to see if investment priorities are being breached.

At present the services can be called up at the end of each day ready for downloading next morning. Work is under way to see if the process can be brought forward to the beginning of the day to help prevent unauthorised trades.

To prevent turf wars with actuaries and other consultants, Mellon has recently undertaken jolnt ventures with, for example, the Bucks Group, a health and benefits administration business, group which has a 300-strong actuarial practice in the UK.

With US$1,300bn in custody or administration, Mellon's layering clearly adds value to its own group.

صكنا من الاصل

SUB-CUSTODIANS • by Christine Moir

Quest for clear rules

Where necessary, most banks prefer to sub-contract custody to local representatives

Only a handful of international banks are in a position to safeguard investment assets on a truly global scale. Indeed, only two – Citibank and Deutsche Bank – appear to want to do so. The others, even giants such as Chase, Bankers Trust or Bank of New York, prefer to sub-contract some of the job to local or regional custodians where they themselves are not so well represented.

Traditionally, the beneficial owners of the assets or their trustees appoint one group as a master custodian and leave it to farm out elements of the global arrangements to locals as necessary. The precedent is that of correspondent banking.

In Britain, all went along swimmingly until the UK Pensions Act 1995, which has been coming into force for the past 18 months. Early this year sharp-eyed (some say "hungry-for-business") lawyers noted that the Act said that trustees should be responsible for the appointment of custodians. Did that mean they could no longer delegate the appointment of sub-custodians? Must they personally appoint every one?

Pragmatism said no. Trustees are not in a position to assess the probity and efficiency of potential local custodians in far-flung corners of the globe. Better to leave it to the master custodians which have built up local networks and are in a better position to carry out due diligence.

At a meeting in March, officials from the British department of social security (DSS) told industry representatives that it had never been the intention of the original legislation to transfer action directly to trustees, although legally they must be held ultimately responsible.

There the issue would have rested had it not been for the newcomer among the industry bodies – the recently created Occupational Pensions Regulatory Authority (Opra). Opra has the task of enforcing pensions law and, as chief executive Ms Caroline Johnston saw it, must "seek to clarify any area of greyness". Opra demanded that the DSS amend the section in the Act to erase the ambiguity that some had perceived. However, it did not intend to penalise anyone who had acted in good faith and carried out proper procedures in following the status quo.

Papers were eventually placed before Mr Frank Field, the new pensions minister, late last month and he is poised to consult the industry on the way ahead. A fortnight into the process the odds are on a victory for pragmatism. Trustees are simply less able to vet sub-custodians than the leading international custodian banks.

But there may be another fly in the ointment. The relationship between master and sub-custodians is itself less than transparent. Some master custodians proffer guarantees to their ultimate clients in respect of total custody. Where they appoint truly independent sub-custodians, however, the value of those guarantees is debatable.

The National Association of Pension Funds describes most as "not worth the paper they are written on". Either the distance between the two parties means that the one is not in a position to stand as guarantor, or the guarantee is so riddled with exclusions that it has no practical application.

If the sub-custodian – as is often the case – is an associate of the master-custodian, then the client will simply look through to the master custodian for any recompense should things go wrong.

Legal authorities in most jurisdictions would be likely to take the same view, something which has given pause for thought among some master-custodians hitherto comfortable with appointing sub-custodians.

Dan Wywoda: expects outsourcing to be a 10-year process, driven mostly by funds of more than £300m in size

It is not yet clear how Opra will react if asked to comment on an amendment which would maintain the status quo. Ms Johnston says only that Opra is a reactive rather than pro-active operation which has not, in the three months of its existence, had any sub-custodial problem brought to its attention.

The technical status of sub-custodians and who should appoint them is likely to be resolved in time for the autumn update of the Investment Managers Regulatory Organisation (Imro). All that fund managers seek is a set of clear rules which make it transparent to clients what they should do in a given circumstance.

But there is another aspect of outplacement which is probably intrinsically indistinct. It is the question of whether investment managers should be placing out custody at all.

Traditionally, the ultimate beneficial owners of securities would appoint an investment manager for a fee, part of which would be for ensuring the safe-keeping of those assets.

Many fund managers today insist that custody is part of their core business and should not be sub-contracted. Others believe they are paid to produce superior investment performance and the custody – especially now that it is both standardised and automated – is an unprofitable distraction.

Between the two schools of thought outplacement of custody has not made much headway in the UK. A headline case last year was the decision by Prudential to place out the £45bn of global assets of its London clients. This was a strategic decision designed to lead eventually to all-purpose out-of-house administration with Prudential Portfolio Managers free to concentrate solely on investment performance.

The beneficiaries were a partnership between Mellon Trust and Midland Bank, with Mellon supplying US custody and the technology to maintain an information overview and Midland offering the comfort of familiar systems for custody elsewhere in the world.

Already the partnership has taken on further administrative functions, such as providing the daily valuations for Prudential's unit trusts. More functions are expected to be won over time.

The Prudential's lead has not, however, become a trend. Mr Dan Wywoda, Mellon's head of global security services for Europe, is unfazed. He expects outplacement to be a 10-year process, driven mostly by funds over £300m in size. Smaller funds, which typically appoint a single balanced manager, will always feel more comfortable keeping custody in house, he thinks.

UK REGULATION • by Michael Prest

Poised in a no-man's-land

City watchdogs are due to publish detailed rules governing custody at the end of July

Custodians operating in the UK are poised in a no-man's-land between the introduction at the beginning of June of new regulations governing their business and the publication of detailed rules, expected around the end of this month.

This is the first time that the whole of the UK custody industry has been subject to regulation. Until now, custody services may have been regulated if they were part of a company's business answerable to bodies such as the Investment Management Regulatory Organisation (Imro) or the Securities and Futures Authority (SFA).

For example, the SFA has regarded discretionary securities lending by custodians as an investment activity, somewhat to the annoyance of some in the business. Imro's interest in fund managers could extend to questions of due diligence and best execution by in-house custodians.

But wholly separate custody services usually slipped through the cracks between different regulators. The collapse of Barings Bank, the Maxwell pension fund affair, and concern that unregulated continental companies might take advantage of the European passport in the Investment Services Directive to offer custody services in the UK encouraged the City's watchdogs to review the position.

In 1995, the Securities and Investments Board published a consultative paper on whether custody should be an authorised activity and what standards should apply to the industry. The Treasury issued a consultation document last year, and the government agreed that custody should become an authorisable business under the Financial Services Act. The amendments to the act came into force at the beginning of June.

The UK custody business is huge, with perhaps £900bn in UK assets, and custodians have generally welcomed the change, which they basically regard as tidying up the regulatory regime and reducing anomalies. Mr David Watson, director for marketing and business development at Lloyds Bank Securities Services, said: "We approve of regulation of this business. It raises the status of the custody industry."

In essence, the law now says that it will be an offence for a custodian not to be authorised and not to conduct business according to the rules of the regulatory body concerned. This will be either Imro or the SFA, depending on the exact nature of the services offered by the custodian. At Citibank, for example, trustees of unit trusts fall under Imro while custodians which are part of the bank might be under the SFA.

The regulators' policy is to adapt the broad principles in their rule books to custody. Familiar tenets such as knowing the customer will apply, as will some basic operating norms such as clear segregation of asset ownership, proper record keeping, security (whether of paper or dematerialised assets), reliable reconciliation, and full reporting to customers.

Mr John Morris, who heads Citibank's UK trustee business, says: "What is likely to be required would generally form best practice among major practitioners in the business."

Here, however, is the problem. Although the process has taken two years, many custodians will want to study the fine print of the SFA and Imro rules when they are published around the end of July to see exactly how they will apply to their business. Several concerns have been identified.

One is regulatory overlap. It is in theory possible that the same asset could be subject to dual or even triple regulation. This could cause conflicting or different demands to be made on custodians. Already, for instance, there is concern that an Imro member will have to produce reconciliations for customers every month while an SFA member will only have to produce one every six months.

David Watson: 'we approve of regulation of this business. It raises the status of the custody industry'

Beyond that kind of detail is a more far-reaching question of how the "know-your-customer" principle can operate in practice. It is very likely that the rules will require custodians to advise their customers of the risks of doing business in overseas markets. But custodians fear that no amount of disclosure can cover all the dangers inherent in some of the more exotic emerging markets which are increasingly popular among investors.

The upshot might be that more risk is pushed down the chain, away from the investor towards the custodian. This trend is already evident, and custodians have no wish to strengthen it. If custodians are exposed to such problems as settlement and execution in unreliable places, central banks and other regulators may demand that more capital be put up against those risks. Indeed, capital adequacy provisions appear in the draft rules.

A related issue for some custodians is where jurisdiction ends. It is all very well, they argue, for the regulators to require risk disclosure from custodians, but what power do either the regulators or the custodians have to enforce suitable standards in some foreign markets?

Regulators reply that they are well aware of these issues. Discussions are going on behind the scenes between the different regulators and leading market participants to iron out as many creases as possible. Trying to reach a consensus on the purpose of reconciliation, and therefore of how frequent it need be, is one example. Some big custodians are unhappy at the prospect of having to register each lendable pool of assets in a separate nominee name.

Regulators also say that they are giving a lot of thought to the distribution of risk among investors, fund managers, trustees and custodians. They accept that there is potential for conflict between fiduciary obligations and national market differences which make full disclosure of all risks unrealistic. The rules are likely to be interpreted with considerable discretion.

Most custodians feel that extensive consultation has already removed most of the worst stumbling blocks. There is some worry about the cost of compliance, particularly of staff training and changing all the legal documentation such as agreements with customers. But there are not many companies for whom custody regulation will be novel, and most of them will be able to afford it.

Custody seems to be a rare instance of the extension of financial regulation being popular and relatively uncontroversial.

David Cowan interviews leading executives in the world of custody responsible for multi-billion-dollar transactions

Four star performers

Clockwise from left: André Lussi, Sandy Jaffee, Terry McCaughey and David Dunlop

Terry McCaughey

Midland Securities Services

Mr Terry McCaughey, director Midland Securities Services (MSS), London, joined the company in January 1993 from HSBC in Hong Kong, where he headed the group's securities services division. Before that, Mr McCaughey was with HSBC in Australia and his native New Zealand.

His task was to turn around a somewhat moribund custody business at MSS into the leading UK operator. Mr McCaughey argues that the task took less time than expected. "We've achieved in three years what we set out to do in 1993 as part of a five-year plan, and that has come from generic growth, not by acquiring other people's business, but by building the relationships ourselves."

In that period, Midland has raised its funds under administration from the £40bn level to the £250bn level. This was helped along by some large client wins, most notably the joint win with Mellon Bank of the $47bn Prudential Portfolio Managers business.

Mr McCaughey notes: "What is pleasing is the recognition we have gained from the market about what we have achieved. If you look at the matrix of custody provision, we want to dominate domestic custody for domestic clients and domestic custody for foreign clients. We also want to be a large operator in foreign custody for domestic clients. What we don't want to do is provide foreign custody for foreign clients."

Mr McCaughey sees the US providers as his main competitors. "Most US providers want to do foreign custody for foreign clients, and they are foreign purely by definition of having a base in London. I have some competitive advantages against the US providers, because they drive on the wrong side of the road, and they don't always provide what the customer wants. They need to tailor their services."

Given his background in HSBC, investment banking and commercial banking, it seemed natural that Mr McCaughey should come into MSS and give it a sense of direction following the HSBC link-up.

He explains: "I came into this business because I wanted a hands-on involvement with the commercial banking business, and not a lot has changed. I accentuate focus, strong leadership, clear objectives, not doing things because others are, not buying anything, and, putting a strong orientation on people. The prerequisite for success is people focus."

David Dunlop

Royal Trust

Mr David Dunlop handles Royal Trust as a niche player in the custody market. He qualifies this by musing that, arguably, "we may become in time a global global custodian".

Mr Dunlop worked at Procter & Gamble and National Trust in Canada before joining Royal Trust. When Royal Trust was acquired by Royal Bank of Canada Mr Dunlop moved into the global securities services unit, with a remit to whip the business into shape.

Under his leadership, Royal Trust's corporate and institutional custody services have grown from C$30bn (US$21.50bn) in 1986 to C$550bn today. Further growth came from the acquisition of the Toronto Dominion Bank business in 1996 and the Bank of Novia Scotia/Montreal Trust corporate custody earlier this year.

"We're a bit of a new boy. It was only in 1993 we were formed out of Royal Bank and Royal Trust. If you think about it, in two to three years of integration we've been able to pick up some high quality business. To do that you need to use a lot of shoe leather," observes Mr Dunlop.

Between them Royal Trust and Canada Trust control 70 per cent of Canadian pension assets, but unlike the latter, Royal Trust has a global agent bank network, thus making it the only purely Canadian choice, something Mr Dunlop is keen to emphasise. However, the network is used to offer a niche service to more than just the Canadian constituency.

"We serve a niche, and have been winning much business recently in Europe. There are a lot of clients with good bits of business out there, who want a competitive and personalised service. They are nervous of being sucked into a $3,000bn portfolio, and into a sea of uncertainty and lack of attention. We typically service client portfolios in the range of $100m to $2bn to $3bn. We know what we can do and what we can't do."

He expects to see a shake-out among the big operators, arguing that there will be increases in cross-border investment, pension funds and emerging markets which will add to the complexity in providing good custody. These are the elements he has already factored into his strategy. "We serve 72 markets with five in the pipeline, and within the next two years I see that increasing to 90 or 100."

André Lussi

Cedel Bank

The much talked about process of commoditisation has led to custodians passing on more tasks to the domestic and international central securities depositories. This is especially true in the case of Cedel Bank, the Luxembourg-based clearing bank which has long been regarded as a "custodian to the custodians".

That role has been continually changing, often not in the smoothest of transitions, as the international clearer addresses new market trends and chases the elusive broker/dealers, where their rivals in Brussels have traditionally been strongest. Mr André Lussi, who was with the Union Bank of Switzerland (UBS), became chief executive officer of Cedel Bank in 1989.

A significant shift occurred when the old Cedel became a bank on January 1, 1995, raising a few eyebrows in custody circles. Mr Lussi notes: "There were suspicions when we became a bank that we would compete with our shareholders, but we have not done so."

This was not the first time Mr Lussi had been the object of suspicion. Since taking over at Cedel he has consistently implemented change to make the organisation a competitive force in clearing, settlement and custody.

His management style is a tough one, and this has been exhibited in the changes he has introduced over the years. "I view the changes I have made as positive ones. When you start something you finish it, and you don't give up when you encounter opposition. That is what drives me. I like to finish what I start."

He explains: "Two things appealed to me about Cedel. First, the entrepreneurial aspects, and second, the task of adapting Cedel to a new environment, and the key role clearing houses were going to play in the future."

He adds: "Increased competition, unwinding government debt, creating jobs and reducing pension liabilities create challenges for national and international markets. These are the trends driving custody, and our role is to support proactively custodians and brokers as national capital markets restructure."

He suggests that in many ways Cedel Bank can be compared to a global custodian, but is still seen as differentiated. "First, we do not keep securities in our own vaults. We have no vaults, so we use the best custodian banks, including the global custodians and the central securities depositories. Second, we use correspondent banks for the various currencies in which we settle."

Under Mr Lussi's management Cedel Bank has continually changed, and added new services, not always accepted with universal approval, but he concludes: "We are trying very hard to prepare ourselves by making radical changes, and will continue to do so."

Sandy Jaffee

Citibank

After starting out as a career banker at Citibank and leaving for pastures new, Ms Sandy Jaffee returned to Citibank in September 1995 as division executive, worldwide securities services, with a mandate to give its global custody unit a stronger sense of customer service and cohesion across the worldwide network.

"Citibank was always pre-eminent in cross-border services," she notes, but "there was an understanding that customers wanted more global consistency, and there were already a lot of terrific things under way at the time I came in."

Having an awareness internally upon which to build Ms Jaffee set about the task of articulating strategy. She explains: "There are three things to deliver – excellent execution, global consistency and local market expertise. You have to wrap these three elements together, because this is what clients are looking for. You have to spend time with the clients. The product must look, touch and feel the same way for clients."

Turning to the world outside Ms Jaffee recognised that it was a consolidating market, and Citibank had to incorporate changes in the global custody business into their strategy. She believes that the conditions clients now face are tailor-made for Citibank.

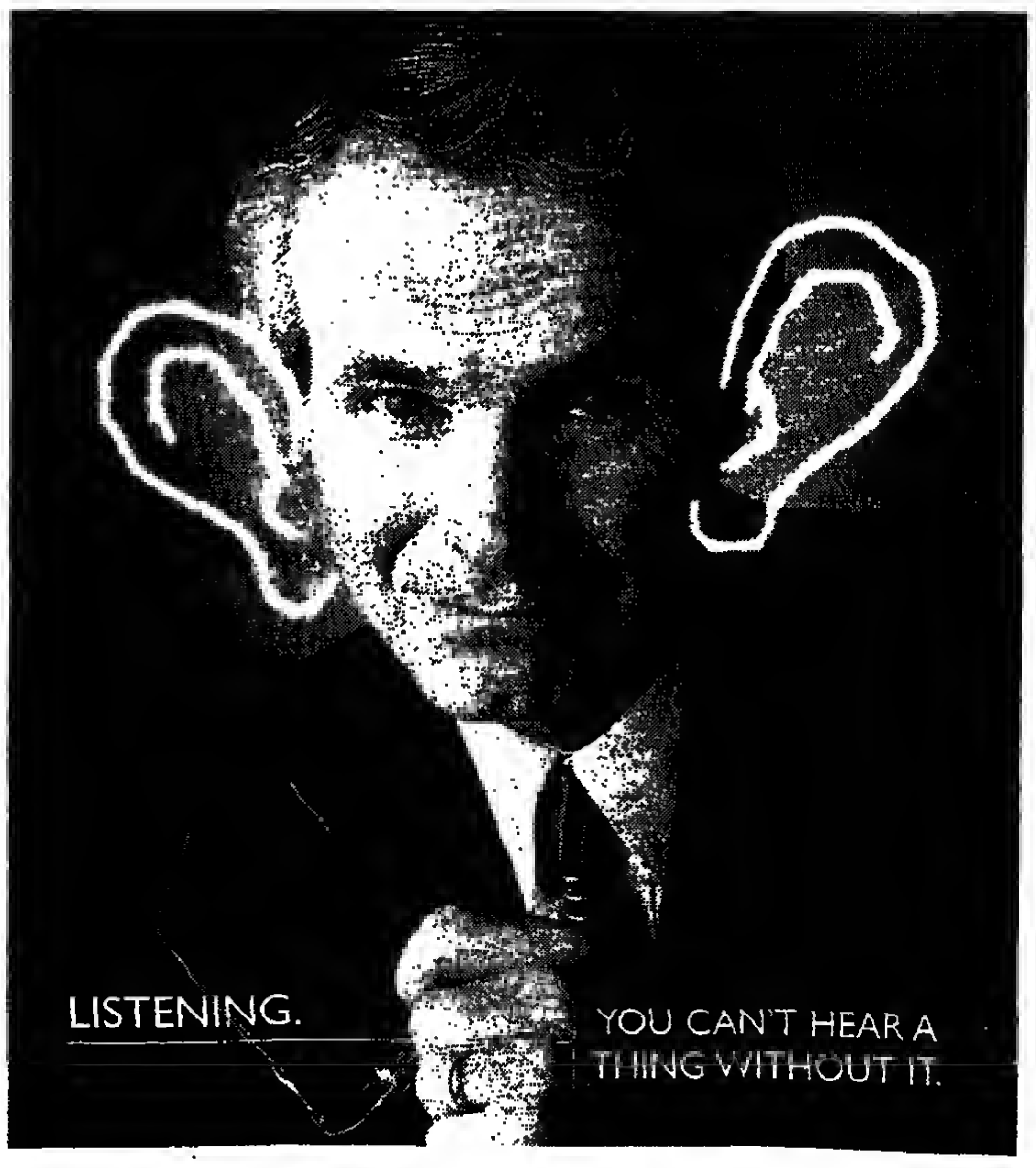
"These are very good times for anyone in the business. The trend driving the custody business is cross-border asset growth. This is the key driver, a greater globalisation of investment patterns. Clients are looking at countries, at regions, but they are looking at these in the context of the total global picture."

Ms Jaffee defines Citibank's strength in terms of market penetration and knowledge of the many markets in which the bank operates, and has developed a strategy to leverage those strengths. The secret was to bring a rationalisation to the existing Citibank network, and she did this by using a very personal style.

She explains: "Two experiences influence my style. The first was working in the consulting business. I like to be very consultative and take a team approach. The second was in working with the Citibank operating group. I am a very hands-on person, it's not enough to know the strategy, you need to know the details.

"Every Friday morning I have a conference call with my people around the globe to do service reviews, wherever I am, even on vacation."

The threat which some of the bigger operators face is seen by Ms Jaffee as an opportunity for Citibank, due to the scale of its network. "There is a consolidation of the industry, this is a scaleable business. Yields are going down, prices are going down, and so the unit costs are lowered in scale. The required investment in people and scale is very high, and projects like the year 2000 and the euro also need funding. You will continue to see in this industry more consolidation."



PROFITABILITY • by Michael Prest

Fees grow as assets pile up

While banks like custody because its income is predictable, profits are not assured

If you ask global custodians why they persist with the business, they will wax lyrical abont the scope for growth, the joys of predictable fee income, and the relative absence of capital constraints. But ask them why, if business is so good, global custodians are a dwindling band, and you will get a less *fulsome answer*.

It is easy to see why global custody should be profitsble in theory. Mr Jurgen Marzinlak, *global head* of custody services for Deutsche Bank, estimates that a mind-boggling $40,000bn of assets is under custody worldwide. That total could grow to $50,000bn by 2000. Of the present total, cross-border *assets* account for *$7,000bn*, which might be $12,000bn by the turn of the century.

Increasing wealth, especially in Asia, the switch in Europe towards personal funding of pensions, and the search by fund managers – notably in the US – for new investment opportunities lie behind the forecasts for rapid growth in the custody business.

"The sheer volume of international investment is going like crazy. Custody has become more important because there is more investment overseas," said Mr Robert Binney, Citibank's head of worldwide securities business in Europe.

As the assets pile up, so should the revenues. Custody is a *fee* business and the volume of fees is related to the volume of business, albeit on a sliding scale. Mr *Jeffrey Smith*, a *managing* director at the Chase Manhattan Bank in London, said: "There are economies of *scale in this business.*"

Banks also like custody because its income is predictable compared with the ups and downs *of investment* banking or securities dealing. Custody often involves long-term relation*ships with clients. Mr David* Watson, director for marketing and business development at Lloyds Bank Securities Services, said: "There's an annuity element to this business."

In addition, as Mr Marzinlak points out, custody makes few demands on capital because the bank's exposure is very limited. The whole point, after all, is that the assets under custody belong to someone else. Banks also feel that custody is a natural extension of their activities. *Mr Marzin*iak said: "Custody is a banking business. We need to support our customers investing in third countries."

But profits are not assured in custody. Several big names – NatWest, Barclays, Union Bank of Switzerland – have retired from the business in recent years. Mar*gins are low in the core cus*tody functions of record-keeping, settlement and dividend collection pre*cisely because it is such* a high volume undertaking. At heart, custody is a commodity business.

Calling it an information business does not necessarily improve profits. Mr Dick Taggart, head of Morgan Stanley global *custody* operations worldwide, the US investment bank, said: "We're in the information business here." *Yet, as ana*lysts point out, the price of information, driven by technology, is falling fast and shows no sign of *stopping*.

Conversely, the costs of staying in custody are high. Investing in information systems is crucial. Mr Watson estimates that Lloyds Securities Services spends 35 per cent of its annual gross income on technology. Citibank expects to *invest $120m* in information technology for custody alone this year. Nor does the investment stop there. Global custody by definition demands a presence around the world. The leading banks in tbe business offer to service customers in about 70 countries, which is not cheap even if the links are frequently through enb-custodiana rather than the bank's own offices.

Moreover, custody is not free of risk – partly because settlement and other services are offered in so many *countries*. According to industry estimates, the average settlement *success* rate is 88 per cent. That might *sound high until one remem*bers that failure can leave the custodian picking up the bill, not to mention soothing a *disgruntled customer*. Some critics are scathing about the inefficiency of custody, for all the buge outlays on computers.

Margins can therefore be wafer-thin. The industry's gross revenues are put at $6bn annually, but a turn of just two basis points on the volume of assets under custody is common. Deutsche Bank claims to make nearer 5 *basis points* on the $500bo to $600bn of assets under custody. Morgan Stanley's corporate target is a 20 per cent return on capital, which it says is more than achieved in its custody business.

Global custody is more profitable tban domestic business, although controlling a big custody pool at home is crucial to the success of the US market leaders. All admit, bowever, that the only way to make money *in global custody* and *to stay* in the business for the long term is to find ways of adding value to core activities. This means providing new services.

Top of the list for companies such as Deutsche Bank, which is trying to huild global custody as part of its ambition to be a fully universal bank, is securities lending and borrowing. As cross-border securities transactions expand and pressure increases on investors to make their capital work harder, lending and borrowing is booming. For a handful of custodians such as Morgan Stanley it is valuable for their arbitrage business.

Among the other value-added services which custodians are trying to provide are *performance* measurement, accounting and corporate information. The trick is tailoring the information to what the customer wants.

In effect, global custody is *expanding* out of its traditional den in the back office. Mr Watson of Lloyds Securities Services said: "We're *trying to* move *the* business more and more forward into the middle and front office areas."

This migration is a natural response to the cbanges demanded by the big professional investors who are driving tbe expansion of global custody. "We're focusing on the more sophisticated iovestor," said Mr Smith at Chase Manhattan. But so is almost everyone *else. Even if the oumber of* truly global custodians shrinks to perhaps only a dozen over the next 10 or 15 *years* competition *will* remain fierce. Global custodians may be making profits, but they will coutinue to hsve to work hard.

Several big names in the City of London have retired from the business in recent years

PROFILE Northern Trust

Old grey lady of LaSalle St

Northern Trust Company's *global custodian business* is not among the largest in the US in terms of assets, but the Chicago-based bank has earned a niche in the custody industry by combining a long tradition of personal service with cutting-edge technology.

Even as the global custody business consolidates, and many smaller operators are leaving the field, Northern is investing aggressively in technology, *and making a distinct, if* gradnal, migration into consulting and other advisory services related to the meat and potatoes of asset safekeeping. Trust, investment, accounting, and increasingly, risk management services round out Northern's business.

"We want to have deep multi-product relationships with clients," said Mr Steven Fradkin, senior vice-president of corporate and *institutional services* at Northern. "I would say this is a commodity business until you have your first loss in a corporate action – then its a complex, detail-oriented business."

Northern, known in Chicago as the "Old grey lady of LaSalle Street" currently has $816bn in total assets under administration. It ranked 14th in terms of assets in a recent survey of global custodians by the industry publication, Institutional Investor.

While far smaller than industry giants such as State Street Bank and Chase Manhattan, its officers note that size is not everything. "Our focus is on profitability," says Mr Fradkin. "If you're a big pension fund and we can't get you the right product mix to make you profitable, it doesn't matter that you have $10bn in assets. We won't take you on just to inflate our asset numbers."

That philosophy has helped Northern to nine consecutive years of record earnings. Having long ago focused its activities on its trust and custody business, 85 per cent of Northern's revenues come from fee-based, rather than interest, income. Last year Northern's *net income* grew 18 per cent to $258.8m while return on equity was also close to 18 per cent.

Started more than a century ago as a bank catering to wealthy Chicago families, Northern had the professional trust expertise and accounting systems in place in 1974 to take full advantage of changes in US pension laws that allowed corporations to set up master trusts to oversee all of their retirement obligations and investments.

At that time, Northern had $8.6bn in assets under administration. That figure swelled as the bank added public and private pension funds, mutual funds and foundations and endowments to its client list. That list is global, and Northern views continued international expansion as a key to its growth. The bank operates in 71 countries, and services more than 1,000 fund managers.

The bank's international assets have been expanding at a rate of 37 per cent annually, compared to overall asset growth of 17 to 22 per cent.

Northern has evolved from performing simple safekeeping duties a decade ago into providing information services, obtaining data from its customers' asset bases to supply a *range of reports to help* them make investment decisions. That led to technical upgrades that allowed the bank to offer clients sophisticated portfolio evaluation and risk and performance analysis.

In the aftermath of Barings, the Maxwell affair, and similar supervisory failures in the investment world, Northern found its clients urgently seeking real-time tools to evaluate investment managers and make sure they were complying with investment guidelines.

Northern rushed to update its software to offer investment monitoring services, last year introducing a product called Alerts. The software, run on workstations provided by Northern as part of its regular custody services, can be programmed by clients to monitor a variety of parameters. The software development was part of the $100m Northern invests annually to upgrade its technology.

Northern executives say Alerts can be programmed to catch a "closet" indexer, screen out particular types of investments, such as derivatives, or simply allow an institution that employs a number of fund managers to make sure its portfolio stays in balance as markets gyrate globally.

Alerts can present a compliance report on the client's terminal each morning, or send an e-mail message each time a programmed parameter is breached, or even send a message to a manager's pager.

The potential to capture so much information in such *a short time* has created more business for Northern – its staff increasingly are advising clients on how best to use its risk management tools and consults with them on setting investment and performance guidelines.

In addition to its international expansion, Northern *is diversifying* and growing its retirement services business, looking toward a time when the pension fund assets it administers will be paid to individuals who may need investment advice and accounting.

The bank is also seeking to widen its own role in managing money. Northern has *about $136bn* under management, but aims to become a much larger global multi-asset class manager.

Laurie Morse

6 GLOBAL CUSTODY

CUSTODY MADE SIMPLE • by Margaret Morris

Art of playing it safe

Many other services have been added to the core business of global custodians

Globel custody is a complicated business. Yet the basic idea is quite simple. "The core definition," says Mr Simon Murray, e partner of Thomas Murray, the global custody consultancy, "is settlement and safekeeping. It's what happens after the decision to buy or aell securities is taken by the client."

A global custodian performs settlement and sefekeeping, along with other basic services and sometimes additional so-called value-added services, in many markets around the world. Actual custody practices in each market will differ, but a global custodian oversees a network of either agent banks or sub-custodians to handle settlemeot and safekeeping within eacb market. A global custodian may or may not handle domestic custody for the same client in its home market.

Starting from the top left-hand corner of the flow diagram, the client – investment manager, bank, or central bank – makes the decision to buy or sell a security. Instructions to this effect are transmitted first to the broker, which confirms that the instructions are correct and then the instructions are sent to the custodian. Two sats of instructions are needed because the custodian does not actually perform the purchase or sale; that role is handled by the client's broker network.

In communicating with its custodien, the client may use a network proprietary to the bank custodian, fax or telex, or he may use the Swift communications network, whicb is fast becoming the standard for transmitting security transfer instructions worldwide.

The heart of a hank's global custody business is its global custody co-reprocessing unit – a computer network. From bere, the global custodlan sets in train all the steps that allow cash to be available at the appropriate time should e client wisb to buy a security. In the case of e transaction in a differeot currency, a global custodian will provide the foreign exchange expertise, if necessary.

The trade instructions are then passed on to the sub-custodian in preparation for settlement of the trade. Depending on the rulss within a particular market, the sub-custodian will clear the trade if it also uses a local clearing agent, or will match the clearing information it receives from the clearing agent with the trade instructions received from the clieot. At this point the trade settles, if the instructions can be matched.

If this trade is a purchase, then the newly bought security is either transferred to the vault (if it is a physical certificate) or switched electronically to the client's account in the depository (if the market no longer uses physical certificates and is deemed to be "dematerialised). If the trada is a sale, then the certificate is transfered to the new owner or removed from the cllent's account et the depository.

Once this procedure is completed successfully, settlement data flows back up tbe cbain from tbe local clearing agent to the sub-custodlan to the core processing centre. Clients are informed of the successful settlement of trade directly, usually via a computer link to a client's workstation. "Tha client workstation is a focal point in the process," says Mr James Economides, managing director of global custody at Citibank. "The workstation gives you feedback that the trade has occurred and allows the client to know what is happening to the trade and to his cash balance."

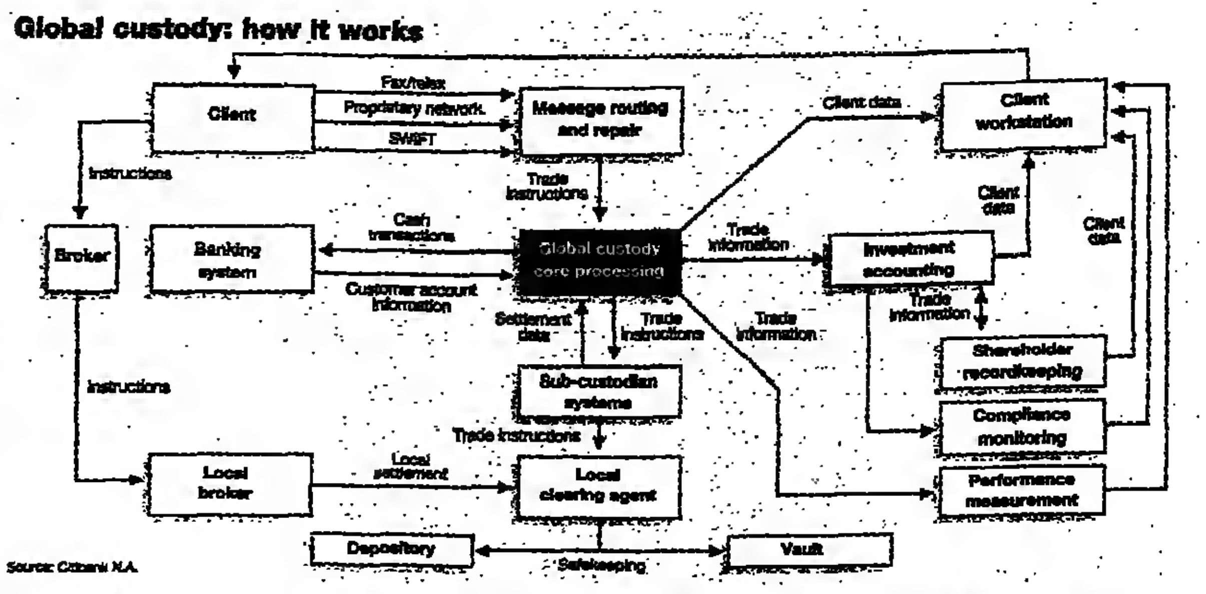
If the client is, sey, a mntual fund or pension fund, then the global custodlan may provide, as an additional service, investment accounting. At ths same time that the trada settlemant information is received by the client at his workstation, the same information will be received by the global custodian'a investment accounting system to enahle shareholder reports and/or compliance reports to he prepared. Additionally, the trade information can be fed into the global custodian's performance measurement or compliance reporting system, or into that of an external provider should e client require this service. Compliance reporting in this context usually means some tracking feature to make sure that, say, a pension fund's investment managers are sticking to their mandete. Performance measurement tracks the performance of the investment manager relative to tha benchmark agreed with the client.

The process of settling a trade and the ongoing need for security safekeeping form the heart of the custody business. So it is not surprising that the fees for this service are based on these two elements. Generally, global cuatodians charge a flat fee per transaction, which varies depending on the country involved. And they charge a safekeeping fee of a certain number of basis pointe, which is charged as a percentage of the value of the assets under safekeeping.

In this fee package certain additional services are included free of charge. These includa the collection of dividends on stocks and income on bonds and tax reclamation, the registration of a client's shares on the share register of tha company, and the transmission of information on corporate actions, such as mergers and arrangements for proxy voting where possible. In some markets and with some custodians, there will be an additional charge for proxy voting, because some custodians outsource this service to specialist providers.

Global custodians provide additional services for an extra charge. These include stock lending, investment accounting and pricing, performance measurement, futures clearing and administration services to unit trust companies.

Global custody: how it works



Source: Citibank N.A.

CENTRAL EUROPE • by Margaret Morris

Top emerging market

Until recently custodians pointed to the emerging markets of Asia as tha source of the greatest growth in business and the greatest challenge. But now this crown has been stolen by central and eastern Europe.

"I think it is fair to say that these markets will provide the biggest challenge in terms of growth over the next five years," says Mr Ranjit Chatterjee, market manager for Europe, the Middle East and Africa at Citibank.

The countries with the most developed infrastructure are Poland, Hungary and the Czech Republic. Russie is the focus of most investor interest while Romania is the latest market to open for most global custodians active in the area.

Each of these markets is essentially a different case.

Poland: Although it is one of the most efficient markets in this area, the custodian role has never been clearly defined and that makes settlement less smooth than it could be. A new law passed by the Polish parliament and awaiting senate and presidential approval will help erase some of the kinks in the system, if it is enacted in its present form.

At present, the title to shares cannot be held outside the country. As a result, national brokers set up mirror nominee or omnibus accounts for foreign investors.

And functionally brokerage and custody are done simultaneously, rather than following normal market practice where trade instructions preceda settlement instructions. These anomalies mean that the sale of securities ectually occurs, with title changing hands, before the custodian has the ability to check that the trads has been executed correctly.

If the market had e higher fail rate, it would be impossible. "It'a a safety machanism," says Mr Paul Hedges, director of network management for global securities services at Royal Trust of Canada. "At tha point of trada the position is locked in."

Although Poland has a fully operating and dematerialised central depository, trade cannot be settled without the broker putting up 30 per cent of the value of the transaction in blocked cash or equity collateral.

Hungary: The main issue in Hungary continues to be the strength of the local depository, Keler. Until recently, only the local brokers used Keler for safekeeping. Global banks such as Citibank preferred to keep their Hungarian shares in custody in physical form elsewhere. But the depository is much improved in the last year.

The challenge for Hungary is to move to e dematerialised environment, jettisoning the physical transfer of share certificates.

Czech Republic: The Czech Republic has presented headaches to investors and custodians alike this year. Because of a run on the koruna, which had been tied to a basket of convertible currencies, the government had to technically devalue and unhitch the koruna. As most institutional investors are long-tsrm operators, global custodians have not seen any dramatic shifts of funds in or out of the country as a result of the currency turmoil.

There is a centralised securities payment and transfer system called Univic, which has been up and running for a year or so. This process works quite efficiently for trades settled on the Prague Stock Exchange. The only problem is thet because of an enormous stamp duty of 10 per cent for these trades, most activity takes place offshore.

Russia: Russia is the troublemaker market in this region, though all operators in the area give the government credit for trying to smooth out the huge custodial problems. Custody of fixed income instruments that can be held by foreigners – MinFins and GKOs – is simple; these bonds are held in dematerialised form by MICEX (GKOs) or in physical form by Vneshtorg Bank (MinFins). Equities are the difficult instruments.

Russia has no physical share certificates for stocks that can be transferred in the normal manner. The only evidence of purchase is the entry in the share register held by a company's share registrar. When the vast bureaucracy of Soviet Russia was privatised, share registrars sprang into business, generally down the road from the new corporate headquarters. Mr Nick Orchard, custody manager for Credit Suisse First Boston in Moscow, says: "There are registrars all over the country in every one of 11 time zones, though there is e movement by companies to use Moscow-based registrars eince the government required registrars to be licensed."

Settlement is, not surprisingly, a very length process, requiring representatives of the custodian to travel in person to the registrar to effect transfer of title.

Romania: Romania is the new kid on the block. The Bucharest stock market chose a fully automated securities processing system based on the US electronic market Nasdaq. It is a good eystem – for brokers. "The system is a bit worrying for custodians," says Mr Giles Elliott, vice-president, GIS network management for Chase Manhattan Bank. "All activity has to go through brokers, so foreign investors using custodians need to pre-advise trades and they hate pre-advice becanse it tips their hand as to what they are doing."

Mr Elliott says that Chase among others is working with the government and the stock exchange to make the process work more smoothly.

Capital adequacy of local banks has been the biggest problem for most global custodians in choosing in-country sub-custodians. Thet's hecause the US Securities and Exchange Commission rule known as 17f-5 had a disproportionate impact on the market. Rule 17f-5 said that any sub-custodian used by a US mutual fund must meet a capital adsquacy requirement of $200m, among other provisions.

However, the rule was changed in June to remove the capital adequacy standard. It is expected that a minimum level of $20m to $25m of capital will be required as a de facto standard.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
Scottish Value Management (Ireland) Ltd (u)						
St Stephen's Green, Dublin 2 00 3531-4757801						
UK Growth			£2.86	2.90	—	-
European Growth			£3.42	3.48	—	-
Broker Value			£1.3179		—	-
Relative Value II			£1.0505		—	-
Singer & Friedlander Inv Funds Ltd (u)						
21 New Street, Bishopsgate, EC2M 4HR 0171-638 6226						
UK Equity Income	4½		108.63xd		-0.26	4.83
UK Equity Income	4½		DM3.08xd		-0.03	4.83
UK Equity Income	4½		£1.75xd		—	4.83
UK Equity Income	4½		Ptz256.8xd		-2.10	4.83

	Selling Price	Buying Price	+ or -	Yield Gross
CFP Interest Rate Arbitrage Fund Plc				
NAV	$11.17		+0.01	0.00
Calpine Fund				
NAV	$110.00		+0.05	-
Capital Vision Fund Plc				
NAV	$3.04		+0.04	-
Chemical Ireland Fund Administrators Ltd				
Nikko East Asia Class A	$11.4040		—	-
Nikko East Asia Class B	$11.4304		—	-
1st Performance	$8.12		—	-

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الاصل

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Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
PanEuroLife societe anonyme				
36 Av Marie-Therese, Luxembourg		00 352 459730		
French Balanced Jul 9	FFr3186.61	+44.70		-
German/Specialist Jul 9	DM5012.06	+60.00		-
Global Equities Jul 9	$1840.13	+27.58		-
UK Secure Gth Jul 9	£814.73	+4.98		-
US Secure Growth Jul 9	$1481.47	+30.00		-
Intl Real Estate Jul 9	Ecu1758.82	-38.23		-
Fund of Funds Jul 8	Ecu1585.80	+35.19		-
Tellykes DEM Guaranteed 3.5%	DM1051.35	+0.00		-
Tellykes LUF Guaranteed 4%	LFr1080.32	+0.30		-
Tellykes USD Guaranteed 3.5%	$1082.71	+0.08		-
Tellykes FF Guaranteed 3.5%	FFr1052.71	+0.09		-
USD 2004	$887.80	+6.32		-
Premier Life				
1 Rue Emile Bian, Luxembourg		Tlx 2808 Tel 4050731		
Davenport Chadwick £ Fd	£1.350	1.490	+0.04	-
Matheson £ Fund	$1.100	1.170	-0.01	-
Matheson $ Fund	$1.080	1.140	+0.02	-
Argent Global	$17.360	18.820	+0.00	-
Argent Equity Gth	$18.270	20.630	+0.03	-
OFS/Gartmore Capital Mgd Gr £	£2.55	2.80	—	-
OFS/Gartmore Capital Mgd Gr $	$2.43	2.44	—	-
OFS Aggressive $	$1.48	1.49	—	-
OFS Mixed Growth $	$1.[illegible]	1.[illegible]	—	-
OFS Gr Balanced Port	$1.90	1.83	—	-
CH 10	SFr1.80	2.04	—	-
LX 10	$1.88	2.02	—	-
Professional Investment Consultants				
Premier Lux $	$1.520	1.600		-
Premier Lux £	$1.400	1.470	-0.03	-
PCI Worldwide Opps	$1.330	1.430	—	-
SPILA Flexible Growth	$1.0270	1.1050	—	-
Royal Life International				
Royal Court, Athery Rd, Castletown IoM		01624 821212		
Pension Growth A	$1.747	1.879		-
Pens Growth (Bonus)	£1.506			-
Royal Life UK Mngd Fd	£2.465	2.651		-
Royal Life Gilt Fd	£2.507	2.696		-
Royal Life UK Equ Fd	£2.270	2.441		-
Royal Life Euro Fd	£2.494	2.682		-
Ryl Life Intl Gwth Fd	$1.635	1.759		-
Lacomp Intl. Fd	£2.127	2.150		-
YRA Growth Fd	$1.351	1.465		-
S.A.M. 1	$2.009	2.210		-
S.A.M. 2	$1.655	1.749		-
S.A.M. 3	£2.234	2.382		-
S.A.M. 4	$1.381	1.560		-

	Selling Price	Buying Price	+ or -	Yield Gross
Arnfield-Herman Investment Mgmt Inc				
Royce Hedge Fd Ltd	$391.4436		—	-
Arnhold and S. Bleichroeder, Inc				
Asian Corporation-Class A	$11514.39		—	-
Aplasimageneral/Fd Ltd-Class A	$774.17		—	-
DEF Associates N.V. - Class A	$17050.39		—	-
Eagle Global Fund Ltd	$7128.84		—	-
First Eagle Fund N.V. - Class A	$165779.33		—	-
Global Leverage-Class A	$132.71		—	-
Asia Pacific Capital Strategies Fund				
NAV Jul 7	$7.3052		—	-
Asia Pacific Securities Corp Ltd				
Indian Smll Cos Fd Ltd Jul 4	$8.96		—	-
Asian Convertibles & Income Fd (Cayman)				
NAV Jun 25	$14.18		—	-
Atlantico Investment Ltd				
Atlantico Libor Plus Jul 4	$106.44		—	-
Atlantic Fund Management (Guernsey) Ltd				
Atlantic Jul Gwth Small Jul 7	$8.01		-0.09	-
Atlantic Jap Gwth Of Jul 7	$8.34		-0.08	-
Atlantic Korean Fd Inc Jul 8	$93.49	98.85	-4.22	-
Atlas Management Limited				
Managed	$11.20	11.76	—	-
Aurum Funds				
c/o MeesPierson Fund Administration				
Aurum Multi-Fund Ltd May 31	$115.91		—	-
Aurum Gold Fund Ltd May 31	$79.57		—	-
Aurum Investr Fund Ltd May 31	$123.24		—	-
BAS-EX Currency Fund Plc				
NAV (DEC)	1.9850		-743	-
BEA Associates				
Argentina Eqty Inv 1 May 31	$83.96		+5.45	-
Argentina Eqty Inv II Apr 30	$78.15		—	-
Brazilian Eq Inst Ltd Apr 30	$207.62		—	-
Brazilian Eq Inv II Ltd	$33.93		—	-
Sth America NAV Jul 3	$5.27		—	-
BMP				
FT - Millenium 1	$1311.36		—	-
BZW Nikko US IT				
BZW Nikko A Shs Gl	$18.10		—	-
BZW Nikko B Shs Gl	$15.01		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
The Vietnam Fund Limited				
Lloyds Assets Fund Managers (Guernsey) Ltd				
NAV Fully Paid Jun 30	$11.227		—	-
Webster Management Group				
Webster Global Fd	$123.02	127.90	—	-
Westman & Leander-Engstrom Inv Mgmt Ltd				
The Russian Prosperity Fund				
A Shares	$37.82		—	-
B Shares	$27.38		—	-
Worldwide Limited				
NAV May 31	$81.71		—	-
Xeryus Fund Management Ltd				
Xeryus Portfolio	$1000		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$11.50		—	-
Xiphias UK ECU Acc	Ecu1.7538		—	-
Zweig Lombardier Ltd				
NAV Jun 30	$237.12		—	-
Zuberi Investment Management AG				
European Focus Jul 4	DM173.128		—	-
Zweig-DiMenna International Limited				
NAV Jun 30	$17119		—	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(♣) 1401 to 1700 hours
(♠) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
■ Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
z Previous day's price.
⊕ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
◆ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

CHEMICALS - Cont.

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

INSURANCE - Cont.

INVESTMENT TRUSTS - Cont.

BANKS, RETAIL

DISTRIBUTORS

INVESTMENT TRUSTS

FOOD PRODUCERS

BREWERIES, PUBS & REST

GAS DISTRIBUTION

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

HEALTH CARE

INV TRUSTS SPLIT CAPITAL

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING, VEHICLES

HEALTH CARE - Cont.

BUILDING MATS. & MERCHANTS

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

CHEMICALS

ENGINEERING

صكذا من الاصل

صكتا من الاجل

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£26¼	—	*£29½	£20¼	2,811	2.7	ф
Barlow	†	88¾	—	£7½	£5¾	1,325	2.2	13.9
Gold Flds Prop R	†	169¼	-2½	189½	120	17.3	5.0	13.3
SA Brews		£18¾	+¼	£19¾	£13¾	5,322	2.1	ф
Standard Bank		£27¼	+¾	£30	£21	3,313	1.9	ф
Tiger Oats	†	1002xd	—	1100	770	1,514	1.8	19.7
Tongaat-Hulett		729½xd	-1	813	676¼	708.3	2.5	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

ф Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price of time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

4 Yield based on annualised dividend
a Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
& Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes 4 special payment
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes 0 special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as 4

FD (Foreign Income Dividend)
II Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Consumer companies spearhead advance

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There were oo prizes for guessing that the Monetary Policy Committee would lift UK interest rates by 25 basis points, but there was a measure of relief across the equity market, which rallied to close marginally higher.

Earlier the market had fallen sharply as interest rate concerns, the cootinuing strength of sterling and a steep decline on Wall Street ovarnight provoked a flurry of selling pressure.

The rate rise did nothing to head off a powerful drive by the market's consumer areas, ootably the retailers. High street share prices spiralled upwards in a further strong response to Dixons' sparkling profits performance and evideoce that the building society/Norwich Union demutualisations have triggered a high street spending spree.

Not to be outdooe, the food retailers were equally in demand, with a number of the market's most powerful brokers recommending the stocks because of evidence of food price inflation.

At the close of a vibrant trading session, the FTSE 100 showed a 5.4 gain at 4,767.8. Earlier the index had been driveo down 29.7.

Other FTSE indices, however, cootinued to suffer, with the FTSE 250 posting its fifth consecutive fall, losing a further 9.3 to 4,386.2. Over the last five sessions, the 250 bas fallen 89.0 points or 2 per cent. The FTSE SmallCap was hit eveo harder, slipping 8.2 to 2,204.8 – its fourth decline on the run.

London's rally was all the more creditable given that Wall Street continued to lose ground shortly after the outset of trading yesterday, hard oo the beels of the 119-point slide oo Wednesday. The Dow kicked off a few points firmer hut quickly fell hack before stabilising as London closed.

Some marketmakers were unconvinced hy the market's rally in the wake of the rate rise: "Underneath, the market still feels vulnerable. It's unhappy with what looks like a move that is too little too late to head off inflation," said one.

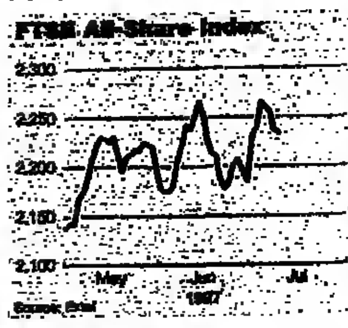
He said London would come under increasing pressure if Wall Street showed further signs of weakness after its failure to move through the 8,000 level despite repeated attempts over the past two sessions.

Strategists were similarly unhappy with the extent of the rate rise. Mr Richard Jeffrey, group economist at Charterhouse, said: "It is a short term relief but it is not enough. The market will come to judge these small moves in interest rates as ineffectual; the probability the Bank of England will have to raise rates more aggressively is still there."

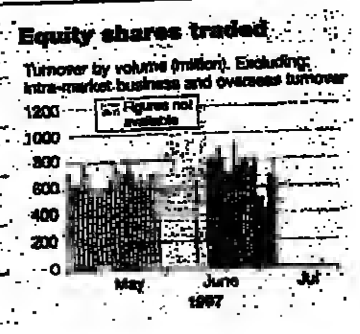
Sainsbury topped the FTSE 100 list, with Deutsche Morgan Grenfell attaching a 700p short term price target to the shares. On the downside Lasmo, a good performer in recent sessions, turned lower as one broker highlighted the stock's outperformance.

Turnover at 6pm was a good 852m shares and was boosted substantially by the keen activity in the retailers, which alone accounted for around 10 per cent of overall market activity.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4767.8	+5.4
FTSE 250	4386.2	-9.3
FTSE 350	2287.2	+1.2
FTSE All-Share	2237.18	+0.54
FTSE All-Share yield	3.47	3.47
FT 30	3037.3	+7.2
FTSE Non-Fins p/e	18.88	18.84
FTSE100 Fut Sep	4788.0	+16.0
10 yr Gilt yield	7.14	7.13
Long gilt/equity yld ratio	2.06	2.05

Best performing sectors

1 Retailers: Food .... +3.1
2 Breweries: Pubs & R .... +2.1
3 Retailers: General .... +1.8
4 Extractive Industries .... +1.4
5 Services .... +1.1

Worst performing sectors

1 Oil Exploration .... -1.8
2 Life Assurance .... -1.8
3 Insurance .... -1.6
4 Household Goods .... -1.2
5 Paper: Pckg & Print .... -0.7

Retail sector surges

By Martin Brice and Peter John

The retail sector soared yesterday as several of its leading stocks beoefited from a powerful combination of influeoces, ranging from the spending power of the consumer to tbe issue of planning permissions for new stores.

Four of Footsie's best nine performers were retailers, with J Sainsbury at the top of the list after its shares rose 21 to 420½p, belped by a positive trading statement yesterday and a very bullish note from Deutsche Morgan Grenfell.

Mr Mark Wasilewski at the hroker believes tbe shares could reach £7, thanks in part to the difficulty faced by rivals in obtaining planning permission for new stores.

He says that while the bigger stocks in food retailing would all benefit from this issue, Sainsbury would gain the most since it is dominant in the relatively affluent south east of England.

Safeway was up 12½ to 399½p; Tesco advanced 11¼ to 431p and Asda was ahead 2¾ to 142p. However, smaller stocks sucb as Somerfield, ahead 4½ to 187½p, and WM Morrison Supermarkets, up 3 to 171p, also beoefited.

The shockwaves from Dixons' trading statement on Wednesday cootinued to reverberate around the market as traders studied the likely impact of tbe windfalls from huilding society flotations. Dixons rose another 17 to 553½p. Kingfisher advanced 12½ to 705p and Boots rose 9½ to 791½p.

Storehouse put on 17 to 205p following a positive trading statement.

Enterprise, the oil exploratioo and productioo company, slipped 11¼ to 684p with a push from SocGen.

The hroker said the shares were "highly exposed to a change in seotiment and a downturn in oil prices in view of the seriously unjustified premium to tbe 500p asset value".

Analyst Mr John Toalster predicts relative divideod growth of less than half the market average and sees the shares falling much closer to the 600p level.

Meanwhile, Burmah Castrol, which has tumbled sharply recently on the back of sterling's rise (the oil group is 60 per cent exposed to tbe dollar and 40 per cent to the D-Mark), bounced 28½ to 995p.

Some brokers were suggesting the fall bad heen overdone to the extent that the company is now vulnerable to takeovers.

Sedgwick dipped 2½ to 123p despita news that Oakmark, the Chicago-based fund, was continuing to raise its holding in the insurance hroker.

There was an announcement that it had picked up 1.5m shares, taking its stake above 5 per cent from 4.31 per cent previously. Oakmark is run hy Mr David Herro, who led a shareholder revolt against Mr Maurice Saatchi, Saatchi & Saatchi's deposed chairman. Mr Herro has been iostrumental in promoting pro-active investment and initially there was some speculatioo that his growing profile on the sbareholder register could signal pressure for corporate changes.

Medeva was up 10 to 258p after HSBC James Capel moved from "sell" to "buy" and focused on the company's hepatitis B vaccine and treatment.

British Biotecb slid furtber in response to post-results concerns. Hopes that Marimastat, the company's cancer drug, might have beeo launcbed next year are beginning to wane, while an indepeodent review body in tbe US bas advised the group to widen the size of its Zacutex acuta-pancreatitis drug study to 1,500 patients from the current 450. The sbares were tha FTSE 250 index's worst performer, falling 33 or nearly 18 per cent to 152½p.

Pearson, the media conglomerate which owns the Financial Times, tumbled 19½ to 668p as the company continued to slip from market favour.

ABN Amro Hoare Govett followed Salomon Brothars with a forecast downgrade to reflect the continuing strength of sterling.

Hoare cut its current year forecast from £312m to £296m. But that was above the £280m Salomoo was forecasting earlier.

And there was some surprise that Pearson should fall so sharply when the other stocks highlighted by Hoare – Reuters, Reed International and Carlton – were either up or only marginally lower.

Mr Robert Jolliffe at ABN Amro Hoare Govett said; "There was a massive element of expectation on the new management. Also, currency and some technology-related decisions are beginning to bite. And negative sentiment is pretty deeply entrenched."

The shakedown in engineering exporters seemed to ease off yesterday, with only minor declines registered. TI Group, marked down aggressively earlier this week, continued its rebound and advanced 16½ to 482½p, to make it Footsie's fifth-biggest riser.

Windfall gains from building society flotations may have helped the growth in the European charter holiday market highlighted by BAA. The aiport group said its seven UK airports saw an annual traffic increase of 8.3 per cent in June.

One trader said the rise was "way above most analysts' forecasts" and showed good growth at regional airports. BAA shares rose 12½ to 578½p.

The strike at Britisb Airways is seen as unlikely to affect BAA unless prolonged.

PSD Group, the recruitment group which floated in February at 220p, rose 2 yesterday to 275½p, helped by a "buy" note from Charterhouse Tilney Securities. Mr Robert Morton at the broker said the group had considerable scope for growth in large and fragmented markets.

Tate & Lyle was one of Footsie's worst-performing shares after the stock shed 17 to 438½p following a bearish note from Credit Lyonnais Laing, which shifted to a "sell" recommendation. Ms Sally Jones at the broker said overcapacity in European starch was putting profits at risk.

Skillsgroup, tha former P&P, fell 68 to 126½p after it issued a profits warning with its interim results.

Rio Tinto lifted 16 to £10.23¼ in the registered shares, with support from a firm copper price.

Galen Holding made its market debut in the pharmaceuticals sector yesterday. Tha shares, which were issued at 150p, leapt to an initial 19 per cent premium and closed at 182½p on turnover of 4.7m shares.

Demand from institutions, particularly investors in Ireland, boosted the Northern Ireland-based company. Galen raised £30m and said it would use the proceeds to expand its businesses and fund acquisitions.

FT 30 INDEX

	Jul 10	Jul 9	Jul 8	Jul 7	Jul 4	Yr ago	*High	*Low
FT 30	3037.3	3030.1	3024.5	3051.7	3050.5	2780.8	3077.4	2668.8
Ord. div. yield	3.62	3.63	3.64	3.61	3.61	4.03	4.22	3.56
P/E ratio net	18.31	18.27	18.25	18.41	18.41	18.38	18.84	15.80
P/E ratio nil	18.12	18.08	18.06	18.22	18.22	18.26	18.45	15.71

FT 30 since compilation: high 3077.4 13/06/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3016.7	3017.8	3017.1	3019.5	3020.2	3027.3	3027.1	3023.9	3030.3	3037.3	3009.7

	Jul 10	Jul 9	Jul 8	Jul 7	Jul 4	Yr ago
SEAQ bargains	49,160	48,488	51,696	56,362	58,089	28,192
Equity turnover (£m)†	NA	NA	2283.9	2181.1	1643.7	1703.4
Equity bargains†	NA	NA	52,127	50,600	51,586	33,115
Shares traded (mil)†	NA	NA	721.7	632.3	788.4	537.5

†Excluding intra-market and overseas turnover but including Crest turnover.

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	510	Total Highs	89	Total contracts	41,992
Total Falls	890	Total Lows	106	Calls	22,116
Same	1,668			Puts	19,876

Jul 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4750.0	4778.0	+5.0	4795.0	4728.0	11083	68923
Dec	4824.0	4841.0	+5.0	4836.5	4824.0	257	4138
Mar		4881.0	+5.0			0	101

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4446.0	4448.0	-10.0	4447.0	4440.0	70	7131

■ FTSE 100 INDEX OPTION (LIFFE) (*4768) £10 per full index point

	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P
Jul	168½	10	128	17½	88	31	54	51	30	80	14½	118½	6	158½	2½	207
Aug	208½	49	169½	61½	136	78½	106	99	80½	124	59	153½	42	187½	28½	224½
Sep	248	71½	209	85	177½	102½	147	123	120	147	96	175½	76	205	60½	240
Oct	277	84	242	100	211½	118½	181	138	152½	161	130	189	108	218½	87½	251½
Dec†	346½	108			279½	146			217½	186½			168	240½		

Calls 3,441 Puts 2,856

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P
Jul	185	8	140½	13	108½	23	66½	39	40	62½	21½	94	10	132	3½	175½
Aug	222½	41	185	53½	150	66	119	87	91½	108½	69½	135½	49½	166½	35	201½
Sep	264½	64	228	77	194½	93	164	112	138½	133½	112	158½	90	185½	71	218
Dec			325	115			288½	148			204	188½			168	236½
Mar†			395	141			321½	172½			264½	211			212½	254½

Calls 7,843 Puts 8,485 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	87.2	127½	124½	Aetherna	126½		W5.0	1.8	4.8	14.2
§150	F.P.	30.5	152½	149½	AIT	150½		L1.38	3.9	1.1	28.3
3	F.P.	2.75	3¾	3¾	†Salary Services	3¾		-	-	-	20.5
*	F.P.	2.02	26	24	†Euro Mining Fin	25		-	-	-	-
§150	F.P.	221.3	184	162½	Galen Hldgs	182½		L0.9	5.7	0.8	28.4
§2.5	F.P.	3.00	3½	3	Gresmont Hldgs	3		-	-	-	-
§	F.P.	1.20	1	½	Gresmont Hld Wrt	1		-	-	-	-
§120	F.P.	10.1	127½	122½	†Highland Timber	122½		-	-	-	-
280	F.P.	8,205	357½	316½	Norwich Union	322	-8½	L10.6	1.8	4.1	18.7
§185	F.P.	119.7	202½	195½	Powderject Pharm	202½		-	-	-	-
§	F.P.	13.5	140½	134½	Primesight	135	-½	-	-	-	13.5
100	F.P.	33.1	112½	99½	Reabourne Medin	110	-½	-	-	-	-
§	F.P.	69.4	227	204½	Royalblue Grp	210		1.5	2.8	0.9	58.3
§100	F.P.	7.81	120½	110	†SBS Group	110	-2½	L2.4	2.0	2.7	19.4
§160	F.P.	117.0	167½	154½	SGB Group	158		L4.4	2.8	3.5	12.7
*	F.P.	4,884	373½	291½	Woolwich	304	+8	L7.9	2.1	3.2	18.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
200	Nil	16/7	24½pm	7½pm	Benchmark Group	15½pm	
2	Nil	21/7	1½pm	¼pm	Dragon Oil	¼pm	-¼
20	Nil	28/7	27½pm	2¼pm	Mackie Intl	8pm	
17.5	Nil	22/7	1¼pm	¾pm	Marylebone Wrnt	¾pm	
1	Nil	15/7	½pm	¼pm	Millwall Hldgs	¼pm	
75	Nil	11/7	7½pm	5pm	Waterfall Hldgs	5½pm	

pm premium.

FTSE GOLD MINES INDEX

	Jul 9	% chg on day	Jul 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1282.11	-0.8	1292.02	2110.87	2.41	-	2150.03	1270.14
■ Regional Indices								
Africa (14)	1324.06	-1.4	1342.75	2873.50	6.59	21.36	2917.88	1324.06
Australasia (6)	1373.42	+2.8	1336.10	2269.73	3.72	15.97	2455.10	1336.10
North America (11)	1268.58	-1.1	1283.48	1875.32	0.82	66.01	1884.06	1244.23

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 10	Day's chge%	Jul 9	Jul 8	Jul 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4767.8	+0.1	4762.4	4758.5	4810.7	3749.0	3.42	2.04	17.91	86.95	2034.31
FTSE 250	4386.2	-0.2	4395.5	4400.8	4425.9	4343.8	3.76	1.61	20.51	92.73	1834.90
FTSE 250 ex IT	4380.7	-0.2	4390.8	4396.7	4424.1	4380.2	3.94	1.64	18.33	95.57	1837.94
FTSE 350	2287.2	+0.1	2285.0	2285.0	2308.0	1984.9	3.49	1.96	18.34	42.94	1994.05
FTSE 350 ex IT	2287.5	+0.1	2286.1	2286.1	2308.4	-	3.51	1.96	18.12	10.96	1022.61
FTSE 350 Higher Yield	2226.8	-0.1	2228.1	2231.4	2269.1	1806.8	4.70	1.75	15.09	61.46	1645.59
FTSE 350 Lower Yield	2353.2	+0.1	2349.8	2344.9	2363.7	1970.1	2.46	2.25	22.39	33.88	1678.18
FTSE SmallCap	2204.82	-0.4	2212.97	2217.28	2224.38	2160.19	3.21	1.74	22.43	38.80	1874.31
FTSE SmallCap ex IT	2173.17	-0.4	2182.06	2187.79	2196.05	2159.75	3.47	1.62	19.75	42.80	1863.38
FTSE All-Share	2237.18	—	2235.64	2236.02	2257.42	1867.02	3.47	1.94	18.57	41.91	1979.60
FTSE All-Share ex IT	2236.97	—	2236.26	2235.66	2257.59	-	3.51	1.96	18.20	10.96	1018.18

■ FTSE Actuaries Industry Sectors

	Jul 10	Day's chge%	Jul 9	Jul 8	Jul 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4552.81	-0.5	4576.26	4607.40	4668.34	3557.67	3.35	2.01	18.62	85.78	2038.12
12 Extractive Industries(5)	4283.74	+1.4	4222.83	4225.24	4270.51	4184.35	3.68	2.36	14.28	104.80	1309.40
15 Oil, Integrated(3)	4754.38	-0.8	4784.95	4822.13	4925.91	3653.42	3.51	1.95	18.28	90.43	2188.12
18 Oil Exploration & Prod(12)	3717.31	-1.8	3783.60	3805.58	3770.66	2469.65	1.66	2.21	36.23	38.65	2277.86
20 GEN INDUSTRIALS(266)	1834.58	-0.1	1836.50	1842.49	1867.44	2024.90	4.39	1.89	15.08	40.37	1047.55
21 Building & Construction(35)	1336.21	—	1336.37	1342.36	1355.39	1174.74	3.32	1.96	19.20	25.35	1162.53
22 Building Matls & Merchs(30)	1743.12	-0.2	1746.59	1763.67	1787.40	1866.22	4.63	2.82	9.58	41.89	921.33
23 Chemicals(26)	2313.16	-0.5	2324.14	2346.20	2354.94	2456.05	4.57	1.48	18.54	59.10	1151.57
24 Diversified Industrials(15)	1286.93	-0.6	1294.68	1290.08	1288.44	1534.62	5.79	1.97	10.95	38.47	783.58
25 Electronic & Elect Equip(37)	1998.34	+0.8	1982.80	1987.65	2079.54	2342.35	4.06	1.58	19.44	17.22	1069.89
26 Engineering(68)	2361.71	+0.1	2359.99	2400.01	2436.38	2447.25	3.59	2.27	15.37	46.55	1505.80
27 Engineering, Vehicles(13)	2735.02	+0.7	2715.86	2685.82	2702.87	3049.15	3.75	‡	‡	54.42	1472.31
28 Paper, Pckg & Printing(27)	1674.23	-0.7	1687.55	1904.31	1928.49	2619.54	5.61	1.86	11.95	55.49	818.22
29 Textiles & Apparel(14)	1007.66	+0.1	1006.71	1010.18	998.09	1349.41	6.95	0.99	18.26	41.87	663.11
30 CONSUMER GOODS(85)	4686.91	—	4687.80	4704.72	4719.65	3577.31	5.28	1.61	21.07	87.21	1809.74
32 Alcoholic Beverages(7)	3418.95	-0.3	3428.62	3418.85	3411.21	2754.04	3.79	1.92	17.18	73.93	1298.93
33 Food Producers(25)	2991.66	-0.5	3005.83	2996.05	3020.58	2506.24	3.71	1.84	18.29	68.68	1416.96
34 Household Goods(17)	3050.80	-1.2	3087.25	3117.88	3126.68	2616.87	3.41	2.31	15.85	54.13	1254.39
36 Health Care(15)	2219.84	-0.7	2234.48	2267.83	2291.99	2098.30	2.76	1.66	27.22	35.80	1393.75
37 Pharmaceuticals(18)	7713.18	+0.3	7691.88	7720.98	7740.82	5243.93	2.89	1.71	30.49	103.78	2707.29
38 Tobacco(3)	4415.68	+0.2	4409.43	4493.01	4507.72	4095.67	6.38	1.81	10.84	158.73	1178.57
40 SERVICES(274)	2639.66	+1.1	2612.17	2589.37	2597.87	2517.74	3.03	1.98	20.83	44.86	1423.70
41 Distributors(30)	2638.34	+0.1	2635.99	2619.79	2656.43	2845.37	3.54	1.94	18.25	51.93	1010.91
42 Leisure & Hotels(31)	3114.68	-0.4	3127.79	3166.58	3169.31	3135.07	2.98	1.81	23.25	87.74	1728.33
43 Media(44)	3911.36	+0.1	3907.87	3960.05	4000.34	4199.84	2.50	1.94	25.76	60.63	1463.17
44 Retailers, Food(15)	2398.92	+3.1	2326.95	2272.14	2230.46	1983.73	3.44	2.27	16.02	45.79	1587.73
45 Retailers, General(53)	2118.00	+1.8	2081.32	2020.00	2013.23	2082.95	3.36	2.03	18.28	37.34	1259.55
47 Breweries, Pubs & Rest.(22)	3254.47	+2.1	3186.45	3174.96	3201.21	3187.91	3.48	2.28	15.74	47.91	1620.56
48 Support Services(56)	3010.98	-0.3	3019.60	3004.15	3040.61	2445.63	1.71	2.55	28.54	27.27	1861.94
49 Transport(23)	2875.53	+1.0	2847.22	2806.75	2824.99	2350.80	3.47	1.35	26.66	58.31	1254.85
60 UTILITIES(31)	3043.91	—	3044.04	3054.55	3092.83	2282.86	4.84	1.49	16.10	51.66	1406.00
62 Electricity(9)	3323.29	-0.1	3327.41	3360.16	3388.10	2852.84	5.35	1.99	11.76	92.77	1877.70
64 Gas Distribution(2)	2059.06	+0.1	2057.38	2074.20	2104.48	1259.19	5.92	‡	‡	84.50	1165.94
66 Telecommunications(8)	2450.46	-0.2	2454.91	2455.85	2501.63	1697.71	3.62	1.66	20.80	10.90	1162.30
68 Water(12)	2819.25	+0.8	2798.12	2794.33	2787.41	2135.97	5.84	2.27	9.42	91.57	1688.62
69 NON-FINANCIALS(675)	2254.82	+0.2	2249.79	2250.78	2269.57	1985.00	3.51	1.89	18.88	41.67	1791.46
70 FINANCIALS(108)	4378.72	-0.6	4403.91	4382.94	4456.55	2903.91	3.20	2.39	16.34	90.16	1977.35
71 Banks, Retail(10)	6756.77	-0.5	6789.96	6775.96	6886.00	4096.07	2.90	2.81	16.54	128.49	2312.82
73 Insurance(18)	1694.08	-1.8	1720.87	1699.02	1717.15	1414.37	5.05	2.61	9.50	55.06	1354.40
74 Life Assurance(7)	4717.88	-1.8	4794.24	4821.39	4901.04	3393.96	3.71	1.96	17.21	121.00	2060.76
77 Other Financial(29)	3246.78	-0.1	3249.96	3247.82	3252.74	2594.39	3.26	1.94	19.82	59.92	1833.62
79 Property(44)	2000.67	+0.5	1991.33	1979.55	1994.29	1522.66	3.29	1.33	29.15	31.81	1285.27
80 INVESTMENT TRUSTS(127)	3422.23	-0.2	3429.16	3426.96	3435.28	3119.79	2.21	1.17	48.48	43.24	1227.98
89 FTSE All-Share(910)	2237.18	—	2235.64	2236.02	2257.42	1867.02	3.47	1.94	18.57	41.91	1979.60
105 FTSE All-Share ex IT(783)	2236.97	—	2236.26	2235.66	2257.59	-	3.51	1.96	18.20	10.96	1018.18
FTSE Fledgling	1251.77	-0.1	1253.17	1252.82	1255.70	1256.32	3.27	0.82	46.66	22.29	1354.90
FTSE Fledgling ex IT	1252.04	-0.1	1253.70	1253.68	1258.96	1249.46	3.65	0.79	43.15	22.29	1357.02
FTSE AIM	1051.8	-0.2	1054.2	1054.3	1058.7	-	1.05	1.11	80.00†	4.10	984.23

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4747.1	4745.4	4743.2	4748.1	4745.4	4756.9	4735.0	4748.4	4766.3	4767.8	4732.7
FTSE 250	4389.6	4385.9	4386.5	4387.4	4386.2	4386.8	4388.4	4385.5	4385.7	4389.9	4384.2
FTSE 350	2279.5	2278.5	2277.7	2278.9	2278.5	2283.3	2282.5	2279.6	2286.8	2287.2	2273.8
FTSE SmallCap	2209.64	2206.04	2206.88	2206.47	2205.99	2205.64	2205.75	2205.76	2205.45	2209.64	2204.82
FTSE All-Share	2230.45	2229.41	2228.80	2229.69	2229.29	2233.60	2232.88	2230.26	2236.64	2237.18	2224.96

Time of FTSE 100 Day's high: 4:30 PM Day's low: 8:49 AM. FTSE 100 1997 High: 4787.8 (10/07/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 4:30 PM Day's low: 8:45 AM. FTSE All-Share 1997 High: 2237.20 (10/07/97) Low: 1969.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,400	497	-8
AMVESCAP	294	368½	+½
ASDA Group†	12,500	142	+2¾
Abbey National†	893	851½	-½
Airtours	410	1198½	+2
Albert Fisher	617	43¾	-½
Alliance & Leicester†	2,400	616½	
Allied Domecq†	2,000	436	+2½
Anglian Water	470	733½	+1
Argos	2,800	593½	+28
Arjo Wiggins	382	182½	-1½
Assoc. Brit. Foods†	505	545	-5½
Assoc. Brit. Ports	557	247½	
BAA†	4,200	578½	+12½
BAT Inds.†	3,200	539	+2½
BBA	3,700	317½	-9
BICC	647	172½	-1½
BOC†	2,200	1020	-15
BG†	8,700	226½	+½
BP†	9,800	776½	-4
BPB	1,700	296½	+1
BSkyB†	2,700	482½	+5½
BT†	28,400	477½	-6½
BTR†	11,200	196	
Bank of Scotland†	2,900	416	+1
Barclays†	4,300	1224	-3½
Bass†	4,200	809	+24½
Blue Circle†	1,800	408½	+3
Booker	1,300	271	-5
Boots†	4,800	791½	+9½
Britannia	237	618	-18½
Brit. Aerospace†	595	1327½	+7
British Airways†	2,900	659½	-3
British Biotech	7,400	152½	-33
British Energy	2,800	154	+2
British Land†	2,000	607½	+21
British Steel†	23,800	144½	-3
Burmah Castrol†	1,700	995	+28½
Burton	14,800	125½	-2¼
Cable & Wire†	8,100	561½	+12
Cadbury Schweppes†	2,700	580	+8
Caradon	1,400	199½	-½
Carlton Comms.†	1,800	500½	-7
Centrica†	10,800	79½	-¼
Coats Viyella	653	110½	+1½
Comm. Union†	1,300	658	-14
Compass	1,300	612	-10½
Cookson	3,800	183	-3½
Courtaulds	641	311½	-3
Dalgety	386	227	+1
De La Rue	181	354	-8
Dixons†	7,100	553½	+17
EMAP	151	751½	-1
EMI†	947	1124	+10½
Electrocomps	239	425½	+4
Energy Group†	1,900	643	+½
Enterprise Oil†	979	684	-11½
FKI	5,000	148	
Foreign & Col. I.T.	456	166½	+¼
Gen. Accident†	1,600	890½	-9
General Elect.†	12,800	359½	+7½
Glaxo Wellcome†	4,300	1312½	-1½
Glynwed	1,900	205	-2½
Granada†	2,300	738	-12½
Grand Met.†	4,500	614	-3
GUS†	3,500	613	-1½
Greenalls	4,500	452½	+26
GRE†	2,600	275	-2
GKN†	982	971	+33
Guinness†	2,600	614½	-2½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday [illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 10 / Sch)

BELGIUM/LUXEMBOURG (Jul 10 / Frs)

CZECH REP (Jul 10 / Korona)

DENMARK (Jul 10 / Kr)

FINLAND (Jul 10 / Mka)

FRANCE (Jul 10 / Frs)

GERMANY (Jul 10 / Dm.)

GREECE (Jul 10 / Drachma)

ITALY (Jul 10 / Lira)

NETHERLANDS (Jul 10 / Fls)

NORWAY (Jul 10 / Kroner)

POLAND (Jul 10 / Zloty)

PORTUGAL (Jul 10 / Escudo)

SPAIN (Jul 10 / Pts)

SWEDEN (Jul 10 / Kronor)

SWITZERLAND (Jul 10 / Frs)

TURKEY (Jul 10 / Tk Lira)

PACIFIC

JAPAN (Jul 10 / Yen)

HONG KONG (Jul 10 / H.K.$)

INDONESIA (Jul 10 / Rupiah)

MALAYSIA (Jul 10 / MYR)

NEW ZEALAND (Jul 10 / NZ $)

SINGAPORE (Jul 10 / S$)

AUSTRALIA (Jul 10 / Aus$)

SOUTH KOREA (Jul 10 / Won)

TAIWAN (Jul 10 / TW $)

THAILAND (Jul 10 / Baht)

AFRICA

SOUTH AFRICA (Jul 10 / Rand)

MONTREAL (Jul 10 / Can $)
4 pm close

INDICES

	Jul 10	Jul 9	Jul 8	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	(c)	23714.79	23714.79	8/7	0.09	9/7
Australia							
All Ordinaries(1/1/80)	2694.4	2696.1	2679.2	2745.90	3/7	2232.20	1/4
All Mining(1/1/80)	833.5	849.9	831.1	987.50	24/2	831.10	8/7
Austria							
Credit Aktien(30/12/84)	437.28	441.66	438.31	441.05	9/7	374.40	9/1
Traded Index(2/1/91)	1385.30	1392.40	1391.40	1392.40	9/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2486.81	2500.22	2493.21	2504.47	7/7	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(u)	(c)	13617.8	13817.30	8/7	6855.50	2/1
Canada							
Metals Mins♦(1975)	(u)	5061.81	5110.89	5861.76	10/3	4946.86	11/4
Composite♦(1975)	(u)	6574.69	6580.80	6580.80	3/7	5570.36	14/4
Portfolio§§(4/1/83)	(u)	3320.00	3336.73	3346.14	3/7	2846.02	11/4
Chile							
IGPA Gen♥(31/12/80)	(u)	5831.89	5836.09	5866.71	4/7	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	618.23	612.25	608.37	618.23	10/7	470.14	2/1
Finland							
HEX General(28/12/90)	3371.04	3407.35	3347.51	3407.35	9/7	2483.28	2/1
France							
SBF 250(31/12/90)	1915.58	1928.23	1918.35	1928.23	9/7	1533.18	2/1
CAC 40(31/12/87)	2929.08	2950.56	2929.81	2950.56	9/7	2258.97	2/1
Germany							
FAZ Aktien(31/12/58)	1349.34	1368.99	1361.69	1368.99	9/7	986.21	2/1
Commerzbank(1/12/53)	3978.7	4032.2	3980.80	4032.20	9/7	2876.90	2/1
DAX‡(30/12/87)	3992.36	4055.86	4006.40	4055.86	9/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1575.30	1576.33	1548.18	1727.70	23/6	954.64	2/1
Hong Kong							
Hang Seng(31/7/64)	14839.23	14703.73	14792.17	15196.79	27/6	12055.17	3/4
India							
BSE Sens.(1979)	4378.37	4404.69	4306.39	4404.69	9/7	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	729.15	738.13	740.83	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3490.59	3494.33†	3482.64	3490.39	10/7	2725.07	2/1
Italy							
Banca Comm Ital(1972)	866.22	873.00	864.46	873.00	9/7	642.55	2/1
MIB General(2/1/97)	1302.0	1312.0	1299.0	1312.00	9/7	991.00	2/1
Japan							
Nikkei 225(16/5/49)	19754.78	19887.17	19853.89	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	290.42	289.67	290.50	302.54	26/6	251.04	27/1
Topix(4/1/68)	1488.11	1494.52	1500.48	1560.28	26/6	1320.82	10/4
2nd Section(4/1/68)	1811.28	1801.56	1806.70	1848.25	30/6	1516.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1008.52	1033.24	1057.77	1271.57	25/2	1008.52	10/7
Mexico							
IPC(Nov 1978)	(u)	4836.49	4821.14	4836.49	3/7	3359.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	1084.5	1097.8	1081.4	1097.80	3/7	730.80	2/1
CBS All Shr(End 83)	628.6	634.2	624.8	634.20	9/7	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2507.21	2522.30	2507.34	2528.85	4/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2072.98	2087.66	2098.82	2102.82	7/7	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2511.15	2589.20	2598.66	3447.30	3/2	2499.38	20/5
Portugal							
BTA 30(4/1/93)	3424.83	3481.10†	3438.32	3481.10	9/7	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	485.92	494.24	501.38	573.03	17/2	478.94	29/4
South Africa							
JSE Gold(28/9/78)	947.4♥	905.3	923.7	1588.10	27/2	903.80	7/7
JSE Ind.(28/9/78)	8708.5♥	8759.3	8766.3	8832.60	2/7	7860.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	767.77	771.99	767.74	792.28	17/6	611.66	7/1
Spain							
Madrid SE(30/12/85)	621.57	627.21	623.79	628.15	7/7	434.54	2/1
Sweden							
AffarsvarldenGen(1/2/37)	3145.4	3188.5	3169.5	3188.50	9/7	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5865.4	5977.1	6012.6	6012.60	9/7	3822.90	7/1
SPI General(1/6/87)	3700.98	3753.17	3768.79	3768.79	8/7	2508.22	6/1
Taiwan							
WeightedPr.**(30/6/66)	9429.74	9362.68	9305.27	9429.74	10/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	649.33	636.71	614.19	858.97	22/1	484.77	19/6
Turkey							
IMKB Nat 100(1986)	1999.0	1961.00	1911.00	1999.00	10/7	909.00	2/1
WORLD							
MS Capital Ind(1/1/70)	957.0*	958.6	963.9	963.90	8/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2648.24	2680.53	2653.83	2680.53	9/7	1883.80	2/1
FTSE E 100(26/6/90)	2210.53	2233.24	2222.34	2233.24	9/7	1582.99	2/1
HSBC JC Dsgn(31/12/88)	(u)	416.15	421.21	428.46	20/1	381.63	29/4
ING Bmgs Emrg(7/1/92)	(u)	196.84	195.71	198.81	8/7	189.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Jul	2930.0	2931.0	-21.0	2959.0	2917.0	14,704	30,026
Aug	2936.0	2939.0	-21.0	2962.0	2929.0	576	2,453
DAX							
Sep	4039.0	4026.5	-19.5	4055.5	4007.5	26,710	84,013
Dec	4064.0	4055.5	-21.5	4088.0	4040.0	261	1,757
OMX							
Jun	2545.00	2529.00	-32.00	2554.00	2525.00	3,464	24,987
Jul	2555.50	2538.00	-34.00	2557.50	2535.00	134	1,627
SOFFEX							
Jul	5958.0	5880.0	-68.00	5978.0	5880.0	6,875	22,923
Aug	5948.0	5887.0	-163.0	6020.0	5885.0	472	2,401

** Sat July 5 : Taiwan Weighted Price 9288.63; Korea Comp Ex 779.24. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1000; JSE Gold - 255.7; JSE 25 Ind - 264.3; IMKB Nat 150 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 10 - 4000.65 -36.32 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jul 9	Jul 8	Jul 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7842.43	7962.31	7858.49	7962.31 (8/7)	6391.69 (11/4)	7962.31 (8/7/97)	41.22 (8/7/32)
Home Bonds	103.83	103.77	103.75	103.79 (8/7)	101.08 (14/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2811.88	2821.62	2812.21	2821.30 (8/7)	2222.07 (2/1)	2821.30 (8/7/97)	13.23 (8/7/32)
Utilities	229.91	232.30	231.24	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8027.67 (8000.08) Low 7775.48 (7824.33) (Theoretical♦)
Day's high 7891.26 (7962.31) Low 7794.70 (7857.13) (Actual♦)

Standard and Poors	Jul 9	Jul 8	Jul 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	907.54	918.75	912.20	918.75 (8/7)	737.01 (2/1)	918.75 (8/7/97)	4.40 (1/6/32)
Industrials♥	1069.08	1081.84	1072.61	1081.84 (8/7)	865.42 (11/4)	1081.84 (8/7/97)	3.52 (30/6/32)
Financial	103.05	104.72	104.67	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/9/74)
NYSE Comp.	473.03	478.40	475.55	478.49 (8/7)	389.47 (11/4)	478.49 (8/7/97)	4.64 (25/4/42)
Amex Comp.	631.02	634.11	631.97	634.34 (3/7)	541.20 (28/4)	634.34 (3/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1486.63	1485.10	1470.74	1486.66 (8/7)	1201.00 (2/4)	1486.66 (8/7/97)	54.87 (3/10/74)

RATIOS

	Jul 3	Jun 27	Jun 20	Year ago
Dow Jones Ind. Div. Yield	1.63	1.67	1.65	2.22
	Jul 2	Jun 25	Jun 18	Year ago
S & P Ind. Div. yield	1.58	1.62	1.59	1.87
S & P Ind. P/E ratio	24.75	24.35	24.27	22.29

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Motorola	9,047,100	86	+3½
Philip Mrrs	8,106,000	43¼	-1
Adv Micro	6,535,400	38	-¼
K-Mart	6,476,300	11½	-¼
Compaq	6,306,600	121⅛	+1½
Gen Elect	6,148,000	68¼	-1⅛
Cabletron	5,566,500	32⅞	+1⅞
McDonalds	5,426,600	48⅜	-⅜
Seagate Tch	5,344,200	39⅛	+1⅞
Micron Tech	5,125,400	42¾	-⅞

TRADING ACTIVITY

● Volume (million)	Jul 9	Jul 8	Jul 7
New York SE	577.634	525.150	522.627
Amex	29.345	23.429	27.124
NASDAQ	717.615	643.865	553.018
NYSE			
Issues Traded	3,416	3,408	3,407
Rises	1,143	1,690	1,472
Falls	1,719	1,128	1,400
Unchanged	554	588	535
New Highs	377	388	510
New Lows	23	22	31

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Sep	917.60	918.00	-	918.50	914.75	72,669	179,274
Dec	-	927.70	-	-	-	450	5,218
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
Nikkei 225							
Sep	19710.0	19780.0	+80.0	19840.0	19610.0	18,997	169,435

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (Jul 10 / Can $)
4 pm close

Prices supplied by Telekurs, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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TOKYO - MOST ACTIVE STOCKS: Thursday, July 10, 1997

	Stocks Traded	Closing Prices	Change on day
Fujitsu	9.5m	1810	+50
Isuzu Motors	7.0m	435	+48
Sakai Heavy Ind	6.0m	818	+71
NGK Insulators	4.7m	1300	+60
Sakura Bank	4.7m	779	+19
Aoki Corp	4.5m	100	-6
Hitachi	4.4m	1270	+10
NEC Corp	4.2m	1590	+20
Mitsubishi Hvy	3.8m	881	-11
Toshiba Corp	3.5m	712	+3

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 10

1997 High	Low	Stock	Div.	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

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4 pm close July 10

NYSE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
Continued from previous page										
61¼	45	Salomn	0.64	1.2	7	3199	55	54	55	[illegible]
18	12⅞	SantaFeEPs				2238	16	14	15⅛	[illegible]
39¼	24⅞	SFePPipe	3.00	7.8	11	35	38⅝	38	38⅝	[illegible]
44	38⅝	SaraLee	0.84	1.9	22	8421	u44	44	44	[illegible]
62¼	49½	SBC Cm x	1.79	2.9	17	6730	61⅞	60⅝	61⅞	+1⅞
26⅞	23⅛	Scana Corp	1.51	6.0	12	1015	25⅛	24⅞	25	[illegible]
8⅛	7⅜	SchawkA	0.26	3.1	32	20	8⅜	8	8⅜	-⅛
62	44½	ScheringP			22	933	51	51	51⅛	-⅛
50½	31¼	SchrPl x	0.76	1.5	29	20587	u50½	46	50	+1
138¾	98	Schlmb x	1.50	1.1	38	8871	u140	134½	138	+3
42⅞	30⅛	Schwab(C)	0.28	0.5	29	2669	41¼	40½	41	[illegible]
40⅝	29⅞	SchwMaud	0.60	1.5	15	321	39	38	39⅜	+1¼
74	43⅛	SCI Systm			21	2691	73⅝	71	73	-½
23½	14¼	SciAtl	0.06	0.3	67	2395	22⅝	22¼	22¼	-¼
29⅞	28	Scotman x	0.10	0.4	14	28	27⅝	27½	27⅝	+⅛
23¾	15⅛	SeaCnA	0.77	3.5	15	448	22	21¼	21¾	+⅝
57¾	44⅝	SearsR	0.92	1.7	17	6289	56⅛	55	55½	
25	21	ScCpSBIR	1.30	5.7	13	615	23	22⅛	22⅞	[illegible]
[illegible]										

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
19⅛	9⅛	ZnithEl				2063	11⅞	11¼	11	+⅛
27⅞	24⅝	Zenith Nat	1.00	3.6	15	41	27¾	27	27¾	+⅝
7¾	7⅛	Zenix Inc	0.73	9.4		198	u7¾	7⅝	7¾	+⅛
26½	17¾	Zero	0.12	0.5	18	45	25	24¾	25	
12	10¾	ZweigFd x	1.20	9.9		359	12	12⅛	12¼	-⅛
9	8	Zweig TotR x	0.84	9.3		445	9	8	9	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¢ Dealings suspended.

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AMEX PRICES

4 pm close July 10

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 10

[illegible]

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss x	0.08		381	34	15¼	14¾	15¼	+⅜
Kaman Cp x	0.44	29	542	u16½	15⅞	16⅛	
Kelly Sr	0.84	18	574	31¾	30½	31	+1
Kimball x	1.16	14	167	40	39½	40	
KLA-Tn		28	15354	u55½	52⅜	55	[illegible]
Koll A			533	⅛	[illegible]	⅛	[illegible]
Komag		11	6995	18½	17½	17	[illegible]
Kulicke 0			12150	u39	30	39	+2⅜

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		34	10746	49	48	49	+¼
Xircom		17	2489	12⅛	11⅞	12	+¼
Xome Crp			1498	5	4	4⅞	
Yellow			1233	24¼	23	24	[illegible]
York Rsch		14	986	6⅞	6½	6⅞	+⅛
ZionsUtah x	0.48	20	1882	36	34¼	36	+1

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.125	-0.125	8	8.25	3.125	Lernout & Hauspie	US$28.375	+0.375	1265	29.375	25
Artwork Systems	US$9.625		23172	11.125	8.5	Mercer Int'l	US$8.875	+0.25	0	11.75	8.125
Chemunex	FFr14.5		908	18	14	NTL	US$24.125		0	25.125	23.875
Dr Solomon's ADS	US$26.5	-0.125	400	27.75	16.875	PixTech	US$3.875		0	6.125	3.875
Esprit Telecom ADS	US$8.25		0	12.25	5.375	Schoeller-Bleckmann	Sch986	-3	3700	1020	900
Innogenetics	US$11.25	-0.125	20890	12.75	10.375						

Prices for 10/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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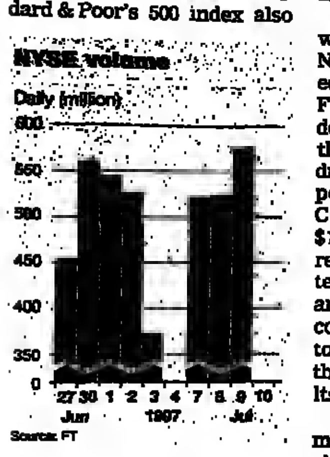
FINANCIAL TIMES Friday July 11 1997

US shares higher at midsession

AMERICAS

Wall Street overcame further early downward pressure, after Wednesday's sharp fall, and by midsession the market was showing modest gains, *writes John Labate in New York*.

In early afternoon trade, the Dow Jones Industrial Average had risen 23.97 to 7,866.40. The broader Standard & Poor's 500 index also



inched higher, by 3.12 to 910.66. Among the Dow stocks, General Electric gained $1 3/16 to $69¼ after reporting second-quarter earnings slightly ahead of forecasts. J. P. Morgan also beat expectations as its shares rose $⅛ to $106⅞. International Paper surged $2¼ to $57⅞.

On the downside, Eastman Kodak shed $1⅝ to $78 1/16 and Johnson & Johnson slid $1 11/16 to $61⅞. Banks were mostly higher as Citicorp gained $1¼ to $128 1/16 and BankAmerica added $ 5/16 to $66½. Wells Fargo, which issued a profits warning on Wednesday, rose $1⅝ to $262. K-Mart, the struggling retailer, lost $ 11/16 or nearly 6 per cent to $10 11/16 after announcing its expectation of lower profits.

ValueJet, the low-cost airline, surged $⅝ or more than 11 per cent $7 3/16 after announcing merger plans.

Leading technology stocks were mostly lower as the Nasdaq Composite Index edged 1.35 lower to 1,485.28. Following Wednesday's departure of its chief executive, Apple Computer dropped $ 11/16 or more than 5 per cent to $13. Compaq Computer was off $⅞ to $120¼ after the company released better than expected second quarter earnings and a new line of low-priced computers. Microsoft fell $⅝ to $130⅛ after reports that the company was reworking its on-line services.

TORONTO ended the morning session little changed. "The uncertain trend on Wall Street is keeping everything on hold," said one broker. At noon, the 300 composite index was marginally lower at 6,573.50, down 1.11.

Golds moved forward on the back of a better start for the bullion price, but banks were dull and the broad market was mostly mixed. Northern Telecom was one of the morning's brighter features, rising C$1.25 to C$$134 on upbeat contract news.

Mexico City lower

MEXICO CITY moved lower as profit-taking set in after the recent run of record highs. Telmex edged higher, adding 10 centavos to 21 pesos, but most leaders were heading determinedly south by the close of morning trading. Bancomer fell 9 centavos to 4.40 pesos in heavy volume. At midsession, the IPC index was off 34.25 at 4,802.24.

● The outperformance of Latin American equity markets in the first half of the year is expected to continue, according to HSBC James Capel. Mr Geoffrey Dennis, global emerging markets strategist, said that in spite of shifting some money at the margin from Latin America to Asia last month, he remained overweight in Latin America.

He expects an extension of the strong first half performance by global emerging markets. "This is shaping up to be the best year in the emerging markets since 1993 and there is little reason for this rally to end at present."

Strong bullion prices send South Africa ahead

Shares in Johannesburg rose strongly after a good day for bullion and better than expected results from Goldfields sparked a rally for golds.

The all-share index improved 38.7 to 7,337.9. Industrials put on 39.2 to 8,798.5 but the main drive came from golds where the index surged 42.1 or 4.7 per cent to 947.4. Goldfields jumped R2 to R95.

● Flemings, the UK investment bank, has launched two pan-African dollar-based indices, the Fleming Africa index of 11 markets including South Africa and a 10-market index that excludes Johannesburg.

Mr Jonathan Garner, Middle East and African strategist at Flemings, argued that Africa, both north and south, was in the early stages of economic regeneration.

Last year, he said, Africa was the second fastest growing developing region in the world, accounting for 8.6 per cent of developing country GDP and 11.3 per cent of all developing country exports.

Total market capitalisation of African stock markets more than doubled from $136bn in 1989 to $285bn last year; excluding South Africa, market cap rose more than eightfold during the same period from $5bn to $43bn. Financial market development had been a key feature of extensive economic reform, said Mr Garner. Faster growth had led to re-ratings of several African stock markets.

Dax pulls back on Tietmeyer's $ message

EUROPE

A strong signal from the Bundesbank that the dollar had risen far enough sent the US currency down by more than 1 pfg against the D-Mark and pulled FRANKFURT back after its record-setting run.

The Ibis-indicated Dax index lost 26.32 at 4,000.65 as the day's meeting of the Bundesbank council, as expected, left its credit policies unchanged.

Mr Hans Tietmeyer, the Bundesbank president, said that the central bank was watching closely developments on foreign exchanges and was determined that the mark would remain strong in the run-up to the launch of the euro in 1999.

Mr Tietmeyer also said that the bank would be watching developments in the equity market, which had surged 32 per cent higher in the first half of the year, partly fuelled by dollar gains. Analysts said, however, that it was Mr Tietmeyer' comments on the dollar that gave investors pause for thought.

Among the day's movers, Thyssen, still under pressure from Wednesday's news that it was mulling a capital increase, lost DM6.20 at DM422.80 and Metallgesellschaft closed Ibis trade DM1.26 higher at DM38.86; both companies denied market rumours that Thyssen planned to take over the machinery maker.

FTSE Actuaries Share Indices

Jul 10					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2669.38	2651.43	2651.62	2649.99	2650.88	2650.62	2647.77	2648.24
FTSE Eurotrack 200	2629.07	2624.78	2623.61	2623.74	2624.39	2625.71	2619.55	2622.81
	Jul 9	Jul 8	Jul 7	Jul 4	Jul 3			
FTSE Eurotrack 100	2660.53	2653.83	2637.25	2618.41	2593.64			
FTSE Eurotrack 200	2642.05	2628.43	2618.85	2614.16	2606.80			

Base value 1000 (26/10/90). High/day: 100 - 2669.38; 200 - 2629.10 Low/day: 100 - 2645.94 200 - 2617.27. † Partial
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Chemicals remained weak, with BASF down 10 pfg at DM66.90, Bayer slipping 74 pfg to DM72.75 and Hoechst down DM1.42 at DM77.45.

PARIS ran into profit-taking as investors turned defensive ahead of the looming long weekend (Monday is a national holiday). Volume stayed dull, but the session ended well off the day's low. The CAC 40 index finished at 2,929.09, down 21.47.

Suez Lyonnaise des Eaux moved up smartly, adding FFr12 at FFr690 to turn in the day's best performance after news of industrial portfolio reductions at its Belgian arm sparked talk of wider-ranging restructuring.

Thomson-CSF, up FFr2.60 to FFr169.80, gained from a revival of speculation about the government's controlling stake in the group.

Among retailers, Promodes put on FFr44 to FFr2,515 on sector merger speculation.

Cap Gemini was one of the day's more active stocks after the free-float in the shares jumped to 53 per cent following Daimler-Benz disposal of its stake in the company. The shares, initially weak, ended FFr6.20 higher at FFr367 in 1.4m traded.

Alcatel Alsthom bounced back from stock overhang talk to close up FFr2 at FFr764 after UAP-Axa had "no comment" to make on rumours that it planned to sell 14m Alcatel shares at FFr725 a share.

Renault ran into profit-taking, dipping FFr2.50 to FFr143.60, but Peugeot stayed buoyant, gaining FFr9 to FFr605 for a three-day advance of 6 per cent.

Remy Cointreau fell a FFr4.50 to FFr126 following sell recommendations from French brokers in the wake of Wednesday's disappointing earnings statement.

ZURICH pulled back on a day dominated by profit-taking following outperformance against neighbouring markets over the last two weeks. A fall of 91.7 or 1.5 per cent in the SMI to 5,885 was described by as a "healthy correction which has been rather welcome".

Some of the market's best performers of recent days were among the biggest losers. Nestlé lost SFr32 to SFr1,969 while ABB, trading ex a SFr50 capital repayment, tumbled a net SFr74 to SFr2,156.

Among the pharmaceuticals, Roche certificates lost SFr250 to SFr14,400. Novartis fell SFr50 to SFr2,403 as a local newspaper reported that Pharma Vision, part of Mr Martin Ebner's BZ Group, had been a buyer in recent weeks. Against the trend, Swiss Re rose SFr30 to SFr2,205, and Winterthur Insurance was up SFr18 at SFr1,438 on hopes that Mr Ebner would outline his plans for his stake in the insurer later in the day.

Shares in the Swiss National Bank were marked SFr34 higher at SFr1,985 as Mr Bruno Gehrig, a board member, attributed the remarkable 400 per cent rise in the price between January and early May to demand from small private buyers, rather than professionals.

That came after the bank announced plans to revalue some of its gold reserves.

AMSTERDAM moved lower as investors pocketed some of their recent gains. Over the previous eight trading days the AEX index had risen 7 per cent: it closed 10.66 or 1.1 per cent lower at 924.71 yesterday.

Internationals led the way down with Royal Dutch off Fl 2.60 at Fl 107.30 after "take profits" advice from Salomon Brothers. Philips retreated Fl 3.70 to Fl 144.10 and ING, a strong market lately following a $2.2bn US acquisition, fell Fl 2.40 to Fl 103.

PolyGram, Philips' entertainment offshoot, was a rare upside feature, adding Fl 1.50 to Fl 106 as brokers turned bullish about the forthcoming results. Storage specialist Pakhoed jumped Fl 5.90 to Fl 76.40 on strong interim earnings.

ASM Lithography surged Fl 7.80 to Fl 134.60 on a combination of upbeat contract news and the improved sentiment for chipmakers in the wake of the strong results from US giant, Motorola.

COPENHAGEN pushed up 0.85 to a record 182.55 close on the KFX index following a strong surge for bank shares. Den Danske Bank rose DKr17.00 to DKr742 and Unidanmark jumped DKr27.00 or 6 per cent to DKr429. In Oslo, Den norske Bank added NKr1.10 to NKr29.30 after a London broker was said to have drawn attention to the comparatively low ratings for Nordic financial stocks.

ISTANBUL jumped 2.5 per cent on strong demand for state-owned stocks as the market set its sights on the 2,000-point barrier on the IMKB National-100 index. But while the index flirted with the 2,010-point level in late trade, by the close the index stood 48 points higher at 1,999.

Analysts attributed the upbeat mood to optimism that the new coalition government would win a key confidence vote on its programme on Sunday.

Written and edited by Michael Morgan and Jeffrey Brown

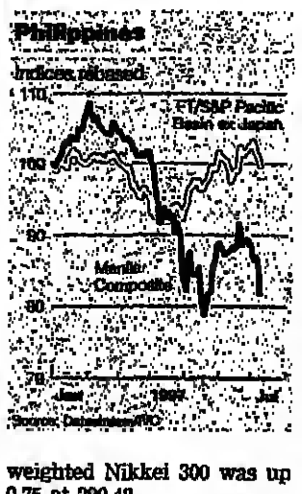
Manila adds to losses but Nikkei turns higher

ASIA PACIFIC

Further weakness was seen in Manila. The composite index fell 78.05 to 2,511.15 for a three-day decline of more than 9 per cent. Turnover stayed weak at 2.5bn pesos.

Money market rates were raised further by the central bank as the peso stayed under pressure in the foreign exchanges and there were heavy falls overnight in the PLDT ADRs.

PLDT ended 40 pesos or 4.5 per cent lower at 850 pesos after touching a session low of 815 pesos. Manila Electric added 6 pesos to 133 pesos on hopes for strong second-quarter results.



TOKYO closed modestly higher after a see-saw session, in the face of Wall Street's heavy overnight decline, and gains in electronics offset continued declines among construction shares, *writes Gwen Robinson*.

The Nikkei 225 average rose 57.61 to 19,754.78 after moving between 19,608.76 and 19,820.58.

Investors cast aside concerns about the strength of the yen against the dollar and sought high-tech issues from the outset. The downward course of general contractors and other sectors laden with financial problems indicated growing polarisation between internationally competitive stocks and domestic demand-driven, debt-laden laggards.

Ahead of Friday's fixing of special quotations for July index options contracts, many investors strove to keep the 225 index above the 19,500 level.

Volume was little changed from Wednesday's 355m shares at 352m. Advances narrowly led declines 519 to 507 with 201 unchanged. The Topix index of all first-section stocks rose 4.59 to 1,499.11 and the capital-weighted Nikkei 300 was up 0.75 at 290.42.

In London, the ISE-Nikkei 50 index rose 5.42 to 1,597.50.

Semiconductor-related issues and electricals benefited from Wednesday's record high on the technology-rich US Nasdaq Composite index. Tokyo Electron surged Y260 to Y5,880, Advantest Y160 to Y9,040 and TDK Y240 to Y6,650. Sony strengthened Y60 to Y9,760, Canon Y80 to Y3,190, and Fujitsu Y50 to Y1,610 on the day's heaviest volume.

Carmakers were mixed. Isuzu Motors jumped Y48 to Y435 on reports that the company will develop engines for diesel-powered vehicles made by the General Motors group.

Construction stocks continued to suffer from bad-debt concerns following the collapse last week of Tokai Kogyo, a medium-sized general contractor. Shimizu fell Y15 to Y638 and Sato Kogyo Y5 to Y196.

Pharmaceuticals fared well, led by Green Cross, which rose Y15 to Y455 on news that it will sell an Aids drug in Japan on consignment from Bristol-Meyers Squibb, the US-drug company.

Yaohan Japan, the financially troubled supermarket operator, slid again on growing concerns about its health, falling Y17 to Y143.

Nomura Securities fell Y30 to Y1,430 on reports that the finance ministry will probably suspend the broker from trading on its own account.

In Osaka, the OSE average rose 106.70 to 20,760.33 and volume more than doubled to 21m shares.

SYDNEY recovered early losses after the release of weak jobs data for June revived talk of an interest rate cut. The All Ordinaries index finished off 1.7 at 2,694.4. The intra-day low was 2,665.7

Interest-rate sensitive bank stocks led the afternoon recovery. ANZ added 29 cents at A$10.10 and NAB gained 26 cents to A$19.956. Westpac rose 15 cents to A$8.03.

An earnings downgrade from Merrill Lynch sent Coca Cola Amatil spinning lower. The shares fell A$1.18 or 7.2 per cent at A$15.12.

KUALA LUMPUR tumbled 2.4 per cent to an 18-month low after a day which brought some aggressive program selling as worries over domestic interest rates and volatility in the currency prompted further switching to more attractive regional markets. The composite index fell 24.72 to 1,008.52.

BANGKOK rallied for the second day running as foreign buyers were said to have sought leading financial stocks. The SET index rose 13.61 to 649.33 on improved volume of Bt8.1bn for a two-day gain of almost 6 per cent.

Bangkok Bank was the day's most active stock, gaining Bt3 to Bt174 and National Finance rose Bt2.50 to Bt27.75. United Communication added Bt4 at Bt108.

SINGAPORE recovered from the day's lows on a flurry of late bargain hunting among the blue chips and some last minute short covering ahead of today's budget. The Straits Times Industrial index, which fell to a 30-month low of 1,956.21 in intra-day trade, finished 14.63 weaker at 1,968.34.

HONG KONG finished higher after a rally in the recently underperforming property sector and a rebound in red chip shares allowed prices to shrug off early losses.

The Hang Seng index ended on a gain of 135.50 at 14,889.23, up from 14,549.91, in turnover that eased to HK$14.8bn.

Red chips recovered a measure of equilibrium, enabling the China-Affiliated Corporations index to recover 3.8 per cent after Wednesday's 6.9 per cent tumble. China Resources rose HK$1.50 to HK$33.10 and China Merchants gained HK$1.45 to HK$20.80.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 9 1997								TUESDAY JULY 8 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	236.88	0.2	208.37	168.83	216.98	211.55	0.7	3.64	236.35	207.20	168.21	215.92	210.12	243.87	188.44	198.26
Austria (25)	202.26	0.3	177.91	144.15	185.26	185.18	0.5	1.77	201.74	176.85	143.58	184.30	184.18	202.96	174.70	182.60
Belgium (29)	256.99	-0.2	226.05	183.16	235.40	230.52	0.0	2.97	257.61	225.84	183.34	235.34	230.55	261.11	206.70	209.38
Brazil (30)	320.68	-0.1	282.07	228.55	293.73	637.18	0.0	1.15	320.82	281.25	228.33	293.09	637.18	320.82	170.26	187.76
Canada (127)	214.89	-0.1	189.02	153.16	196.84	213.85	-0.1	1.70	215.07	188.54	153.06	196.48	214.09	215.46	154.12	160.66
Denmark (32)	398.67	0.4	350.67	284.13	365.17	363.98	0.7	1.40	397.11	348.13	282.62	362.78	361.47	398.69	303.46	308.49
Finland (28)	304.09	2.4	267.48	216.72	278.54	333.25	2.3	1.65	297.10	260.45	211.44	271.41	325.71	304.09	186.67	195.95
France (84)	235.34	0.3	207.01	167.73	215.57	219.62	0.7	2.39	234.61	205.67	166.97	214.33	218.16	237.57	166.94	193.66
Germany (58)	228.71	1.0	201.16	163.01	209.50	209.50	1.3	1.35	226.47	198.53	161.18	206.88	206.89	228.71	168.70	171.68
Hong Kong, China (66)	511.67	-1.0	450.07	364.67	468.68	508.62	-1.0	2.98	517.02	453.25	367.96	472.32	513.97	539.63	407.55	426.42
Indonesia (27)	252.72	-0.8	222.29	180.11	231.48	378.96	-0.8	1.72	254.90	223.46	181.41	232.87	380.23	254.90	183.62	203.74
Ireland (17)	365.35	-0.6	321.36	260.38	334.65	338.99	-0.2	2.84	367.48	322.13	261.52	335.69	339.55	367.48	270.08	279.78
Italy (56)	99.07	0.5	87.14	70.61	90.75	127.21	0.9	1.94	98.63	86.46	70.18	90.10	126.09	99.63	73.28	81.42
Japan (485)	136.12	-0.5	119.73	97.01	124.68	97.01	-0.4	0.81	136.83	119.95	97.38	125.00	97.38	151.73	107.57	151.73
Malaysia (107)	492.20	-2.5	432.95	350.80	450.85	474.65	-2.6	1.44	504.86	442.59	359.31	461.21	487.23	660.86	492.20	560.43
Mexico (27)	1728.15	0.0	1520.11	1231.66	1582.96	14915.48	-0.3	1.25	1728.91	1515.65	1230.46	1579.43	14954.14	1728.91	1110.35	1181.07
Netherlands (19)	424.69	1.3	373.56	302.68	389.01	384.49	1.5	2.02	419.30	367.58	298.42	383.05	378.84	425.66	279.88	294.72
New Zealand (14)	95.42	0.2	83.94	68.01	87.41	75.28	0.6	3.86	95.25	83.50	67.79	87.01	74.81	98.47	79.04	81.05
Norway (41)	322.93	-0.4	284.06	230.16	295.80	321.62	-0.5	1.91	324.17	284.18	230.71	296.15	323.38	326.80	248.04	253.98
Philippines (22)	155.86	-3.9	137.10	111.08	142.77	205.10	-3.9	1.02	162.28	142.22	115.48	148.20	213.43	214.07	148.37	213.30
Singapore (42)	391.77	-2.5	344.61	279.22	358.86	259.35	-2.5	1.18	401.75	352.19	285.92	367.01	265.95	448.01	360.09	402.43
South Africa (44)	352.26	-0.4	309.85	251.06	322.67	351.39	-0.1	2.46	353.59	309.97	251.65	323.02	351.60	370.12	301.49	364.68
Spain (33)	272.63	0.3	239.81	194.31	249.73	307.39	0.5	2.16	271.82	238.29	193.45	248.32	306.01	276.05	171.81	180.94
Sweden (49)	509.48	1.3	448.15	363.11	466.68	582.57	0.6	1.77	502.89	440.88	357.90	459.41	578.18	509.48	334.35	352.66
Switzerland (33)	328.02	-0.5	288.53	233.78	300.46	297.68	-0.6	1.13	329.59	288.94	234.57	301.10	299.31	329.59	231.69	244.77
Thailand (42)	61.23	4.2	53.86	43.64	56.09	69.00	4.0	4.48	58.78	51.53	41.83	53.70	66.35	168.94	47.55	168.94
United Kingdom (213)	314.37	-0.3	276.53	224.05	287.98	276.53	0.0	3.63	315.29	276.40	224.39	288.03	276.40	319.10	229.63	235.58
USA (644)	367.78	-1.1	323.50	262.12	336.88	367.78	-1.1	1.67	371.95	326.07	264.71	339.79	371.95	371.95	254.79	268.30
Americas (828)	337.14	-1.1	296.56	240.29	308.82	283.87	-1.1	1.66	340.71	298.68	242.48	311.25	286.86	340.71	233.09	243.66
Europe (718)	281.05	0.2	247.21	200.30	257.48	261.19	0.5	2.45	280.37	245.79	199.54	256.13	259.99	282.11	204.71	211.16
Nordic (150)	430.94	1.2	379.06	307.13	394.73	429.51	0.8	1.72	426.01	373.46	303.19	389.16	425.93	430.94	291.46	304.26
Pacific Basin (881)	153.81	-0.6	135.29	109.62	140.89	111.25	-0.5	1.27	154.79	135.69	110.16	141.40	111.80	164.66	127.16	164.66
Euro-Pacific (1599)	206.92	-0.1	182.01	147.46	189.54	167.61	0.1	1.94	207.21	181.65	147.47	189.30	167.53	206.00	173.55	193.93
North America (771)	358.35	-1.1	315.21	255.40	328.24	357.53	-1.1	1.68	362.23	317.55	257.79	330.91	361.41	362.23	248.85	259.85
Europe Ex. UK (505)	256.08	0.5	225.25	182.51	234.56	245.77	0.7	1.80	254.72	223.30	181.28	232.70	244.09	256.23	185.65	192.72
Pacific Ex. Japan (396)	307.62	-1.0	270.59	219.25	281.78	271.32	-0.9	2.75	310.74	272.41	221.15	283.87	278.74	320.65	268.97	284.41
World Ex. US (1827)	210.88	-0.1	185.49	150.30	193.16	174.66	0.0	1.92	211.17	185.12	150.29	192.92	174.80	211.77	178.94	185.39
World Ex. UK (2258)	255.66	-0.6	224.88	182.21	234.18	225.22	-0.8	1.61	257.28	225.55	183.11	235.04	226.50	257.28	199.58	207.83
World Ex. Japan (1986)	324.57	-0.6	285.49	231.32	297.30	314.23	-0.5	2.00	326.57	286.29	232.42	298.34	315.90	326.57	233.10	242.52
The World Index (2471)	260.73	-0.6	229.34	185.82	238.82	230.11	-0.5	1.81	262.29	229.94	186.67	239.62	231.26	262.29	202.32	210.29

CONSTITUENT CHANGE 10/7/97: Exchange change: Biochem Pharma (Canada) will be priced from the Montreal exchange instead of Toronto due to greater liquidity. Latest prices were unavailable for this edition. Market closed 9/7/97: Brazil.

APPOINTMENTS